

Consistently Good!

What sets Escorts Investment Bank Limited apart from its competition is the “*Consistency*” of our Good Results.

We know that the environment in which we operate will continue to present new challenges, as well as opportunities. In such a dynamic environment we remain determined to resist the Quarter – to – Quarter mindset of the market and remain focused on our “Five-Year Business Plan Approach”. Our last Five-Year Plan, *Escorts Beyond 2001*, concluded last year among thunderous applause from all our Stakeholders, for its resounding success. True to our tradition and track record, this year has marked the successful first year of *Escorts Twenty 12*.

We owe this success to the intellect, creativity, and relentless determination of our *Team*. The energy that they, individually and collectively, exude is simply remarkable.

On a personal level, I feel incredibly privileged to play a role in bringing together this *Team* that has successfully brought to life our Vision, Mission and Objectives.

The desire to remain *Consistently Good* runs through every thing we do!

Sincerely,



Rashid Mansur
President & CEO



ESCORTS INVESTMENT
BANK LIMITED

VIS ION

Value addition for our stakeholders through enhanced business activity and emphasis on Better Risk Identification and Management as opposed to Risk Avoidance

MIS S ION

To build Escorts Investment Bank Limited into an elite institute comparable with, if not better than, any top quality local or foreign financial institution, in terms of a progressive corporate culture and an autonomous, committed and dedicated Executive Management with
An Eye On The Future



ESCORTS INVESTMENT
BANK LIMITED

ESCORTS TWENTY 12

Broad Policy Objectives

- Value Creation for Shareholders on a sustainable basis.
- Realigning ourselves to the new NBFC Structure.
- Maintaining High Asset Quality.
- Good Governance and Best Business Practices.
- High Professional Efficiency and Constant Improvement Policy.

The Operational Strategy of the Business Plan is focused on Enhanced Profitability and Sustainable Growth through a broader range of Products and Services, and Capacity Building in terms of Human Resource, Infrastructure, Systems Support and Risk Management Policies.



ESCORTS INVESTMENT
BANK LIMITED

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Corporate Information

Board of Directors

Chairman
Bashir Ahmed

President & Chief Executive Officer
Rashid Mansur

Directors

Zaigham Mahmood Rizvi
Bairam Qureshy
Mutahir Ahmed
Shazia Bashir
Qaim Mehdi
Tajamul Hussain Bokhari (nominee National Bank of Pakistan)

Company Secretary
Muhammad Anum Saleem

Executive Management

President & Chief Executive Officer
Rashid Mansur

Executive Director / Head of HR & Administration
Shazia Bashir

Chief Financial Officer / Head of Advisory Services
Muhammad Kamran Nasir

Head of Treasury Division
Arshad I. Khan

Head of Capital Markets Division
Muhammad Jawad Akhtar

Head of MIS & Settlements
Azmat Baig

Head of Proprietary Investments (Equity & Equity related Products)
Hassan Abid Zaidi

Head of Branch Network
Amir Samad

Company Secretary / Head of Corporate & Legal Affairs
Muhammad Anum Saleem

Audit Committee

Chairman
Bashir Ahmed

Members
Tajamul Hussain Bokhari
Bairam Qureshy

Secretary
Muhammad Anum Saleem

Internal Auditors

A. F. Fergusons & Co.
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Lexium Attorneys at Law

Tax Consultants

KPMG Taseer Hadi & Co.
Chartered Accountants

Share Registrars

Hameed Majeed Associates (Pvt.) Ltd.

Bankers

Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Habib Bank Limited
MCB Bank Limited
PICIC Commercial Bank Limited
The Bank of Khyber Limited

FINANCIAL STATEMENTS

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of the Members of **ESCORTS INVESTMENT BANK Limited** will be held on October 15, 2008 at 09:00 A.M. at Escorts House, 26 Davis Road, Lahore, the registered office of the Company, to transact the following business:

ORDINARY BUSINESS:

- To confirm the minutes of the 12th Annual General Meeting held on October 31, 2007.
- To receive, consider and adopt the Annual Audited Financial Statements for the year ended June 30, 2008, together with the Directors' and Auditors' report thereon.
- To consider and approve cash dividend at the rate of Rs.2 per share (20%) to the share holders for the year ended June 30, 2008 as recommended by Board of Directors.
- To appoint External Auditors of the Company for the next financial year, ending June 30, 2009, and to fix their remuneration.

OTHER BUSINESS:

- To transact any other business with the permission of the Chair.

By ORDER OF THE BOARD

M. Anum Saleem
Company Secretary

Dated: September 24, 2008

Notes:

- The share transfer books shall remain closed from October 07, 2008 to October 13, 2008 (both days inclusive). Transfers received at Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore, by the close of the business hours on October 06, 2008 will be treated in time for the purpose of casting of votes at the Annual General Meeting.
- A member entitled to attend and vote at the meeting may appoint another person as his/her

proxy to attend the meeting, speak and vote on his/her behalf. Form of Proxy is enclosed.

- The Form of Proxy must be signed across a rupees five revenue stamp and should be received by the Company at its Registered Office at least 48 hours before the meeting.
- Shareholders are requested to promptly notify the Company of any change in their addresses at the Registered Office of the Company.
- CDC Account Holders will have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
 - For attending the meeting:**
 - In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
 - In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall have to be produced at the time of the meeting.
 - For appointing proxies:**
 - In case of individual, the account holder or sub-account holder shall submit the proxy form as per the requirements of para 3 above.
 - The proxy form shall be witnessed by two persons whose names and NIC numbers should be mentioned on the Proxy Form.
 - Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
 - The proxy shall produce his/her original NIC or original passport at the time of the meeting.
 - In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures shall have to be submitted along with Proxy Form to the Company.

Director's Report

The Board of Directors of Escorts Investment Bank Limited takes pleasure to present before you, the Annual Report 2008 together with the Audited Financial Statements for the year ended 30 June 2008.

The Board hereby confirms that:

- these financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- proper books of accounts of the company have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- the system of internal control is sound in design and has been effectively implemented and efficiently monitored;
- there are no **significant** doubts upon the company's ability to continue as a going concern; and
- there is no **material** departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial Results

The financial results for the year under review are summarized as follows:

	2008 (Rupees)	2007 (Rupees)
Profit before provisions and taxation	103,646,517	141,885,051
Provision for doubtful finances & receivables	9,134,544	683,696
Profit before taxation	94,511,973	141,201,355
Taxation	43,305,726	11,037,647
Profit after taxation	137,817,699	130,163,708

Key financial data and ratios for the last six years are attached.

The fall out from political events during the year under review continues to overshadow the economy. Not only this affected the performance of the Capital Markets but it has also exerted pressure on the rupee. Further, the inflation caused by rising international oil prices kept the State Bank of Pakistan focused on a tight monetary policy resulting in a slow down in the credit cycle, higher interest rates and cautious lending stance. However, despite all odds, your Bank has managed to maintain its top position among its peer in the Sector. Net profits after tax improved from Rs.130 million to Rs. 138 million entailing one of the highest Return on Capital Employed of 16.66 % in the sector, hence you can proudly say that the last six-year results of your bank have been **Consistently Good!**

Gross revenues during the year amounted to Rs. 837 million as compared to Rs. 842 million last year. Borrowing cost increased from Rs. 473 million to Rs. 482 million, which is in line with the general increase in the interest rates and well justified by the increased business volumes handled by Escorts Bank to offset the impact of rising cost of funds. Operating expenses during the year amounted to Rs. 251 million due to enhanced business activity. Additional provision of Rs. 9 million against doubtful finances and receivables was booked during the year. Thereby the operating (pre-tax) profit decreased to Rs. 95 million from Rs. 141 million last year primarily due to reasons highlighted above.

Total assets as at 30 June 2008 stood at Rs. 6,497 million as against Rs. 5,935 million at the last year end reflecting an improvement in the balance sheet size by more than 9 % over 30 June 2007.

Earnings per Share

Earnings per Share of your Bank have been Rs.3.13 as compared to Rs.2.95 last year.

Dividend

The Board of Directors has proposed Cash Dividend at the rate of 20 % i.e. Rs. 2.00 for every Rs 10/- ordinary share held, for the year 2007-08.

Credit Rating

As a witness of confidence to your Bank's performance, JCR-VIS Credit Rating Agency has reaffirmed the medium to long-term entity rating of your Bank at "A" (Single A) while short-term rating has also been reaffirmed at "A-1" (Single A one). VIS Credit Rating Agency has also finalized the rating of "A+" (single A plus) assigned to the secured and listed Term Finance Certificates (TFCs) issued by Escorts Bank with stable outlook. These ratings denote good credit quality, sound liquidity factors and company fundamentals, adequate protection factors and good certainty of timely payments.

Corporate Governance

The Board of Directors and the company remain strongly committed to the principles of good corporate management practices with emphasis on transparency and disclosures. The Board and Management are cognizant of their responsibilities and monitor the day to day operations.

The Company is fully acquiescent with the Code of Corporate Governance as per the requirements of listing regulations. Specific statements in this regard are given in statement of compliance with Code of Corporate Governance.

Corporate Social Responsibility

The Bank remains committed to its corporate social responsibility and continued with its support in the areas of Basic Child Education, through Escorts Foundation, a non-profit company of Escorts Group. Additionally, as part of our social obligation to the surrounding community, Escorts Foundation with the support of Escorts Bank and the collaboration of Global Environment Facility Program has undertaken projects with following focal areas:

1. **Biodiversity**
2. **Climate Change**
3. **Ozone Depletion**
4. **International Waters**
5. **Land Desertification**

Human Resource and Organization Development

Your Bank has always remained focused on optimizing its organizational structure and human resource to get more efficiencies and better co-ordination between various activities. This was one of the major fundamentals upon which the Change Management Program Escorts Beyond 2001 was introduced and successfully implemented. Your Bank continues to recognize its importance in its new five year business plan Escorts Twenty 12. The company continued its efforts for training and development of its human resource. As part of a continuous process various in-house training courses were arranged. On the-job training aspects were also given full consideration with an objective to impart hands-on experience.

Board Meetings

The Board comprises of two executive and six non-executive directors. During the year, four meetings of the Board of Directors were held and following is the detail of attendance by the Directors:

Directors	Held during Tenure	Attended
Mr. Bashir Ahmed	4	4
Mr. Rashid Mansur	4	4
Ms. Shazia Bashir	4	4
Mr. Tajamul Hussain Bokhari	4	4
Mr. Qaim Mehdi	4	2
Mr. Bairam Qureshy	4	4
Mr. Mutahir Ahmed	4	1
Mr. Zaigham Rizvi	4	4

Leave of absence was granted to directors who could not attend some or all of the Board meetings.

Changes in Shareholding

There was no purchase and sale of shares of Escorts Investment Bank Limited by the Directors, CEO and CFO in the period under review.

Pattern of Shareholding

There were 464 shareholders of the Bank as at 30 June 2008. The pattern of shareholding disclosing the aggregate number of shares held by various categories of shareholders appears at the end of this annual report.

Value of Provident Fund Investment

The Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund @ 10 % of basic salary. Based on latest audited financial statements of the fund the value of its investments as at 30 June 2007 works out to Rs. 17.4 million.

Internal Audit Function

The Bank has a very sound Internal Audit Function outsourced to M/s A.F. Fergusons, Chartered Accountants. The Audit Committee of the Board meets on a regular basis to review efficiency and effectiveness of the Internal Audit Function.

Auditors

Our auditors M/s KPMG Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board and the Audit Committee recommend their reappointment.

Future Outlook

The Management of EIBL is deliberating on exploring new initiatives. Escorts Twenty 12 in line with its structural alignment with the revised NBFC Rules and Regulations is all set to capitalize on the following:

- Synergistic benefits with the establishment of its Wholly Owned Subsidiary Escorts Capital Limited to carry out the Brokerage activities.
- Cross Corporate Holdings structure.
- Centralizing the Strategic and Investment center to maximize returns for its stakeholders
- Preparing for a bigger league through raising funds from the Public
- Adding significant value for its shareholders in the longer term through expected Capital Gains
- Establishing a network of Branches in all major cities of Pakistan.
- Offering all our Products and Services at our branches.
- Raising Deposits from public and utilizing them for Corporate Lending
- Expanding on our Car Finance Portfolio
- Creating depth in our Revenues through strengthening the Advisory function
- Consolidating Research Function to complement Advisory and Brokerage Activities
- Establishment of an Asset Management Company

Acknowledgement

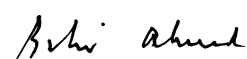
The Board would like to take this opportunity to express its admiration for the employees of the Bank for their commitment, dedication and hard work throughout the year. The Bank recognizes and records its gratitude for all their efforts.

For and on behalf of the Board



Rashid Mansur
Chief Executive Officer

Lahore: 20 August 2008



Bashir Ahmed
Chairman

Financial Highlights

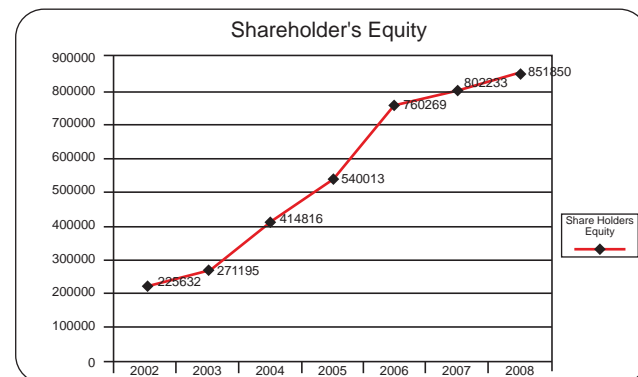
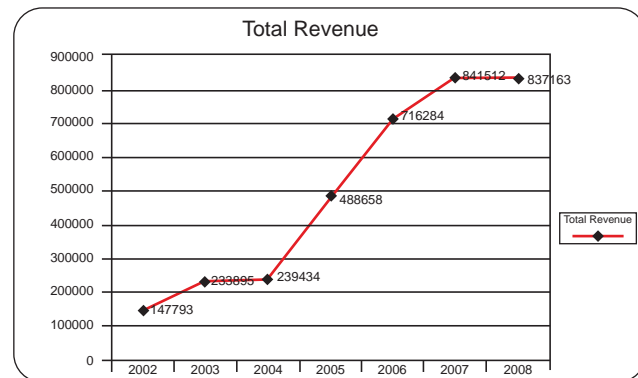
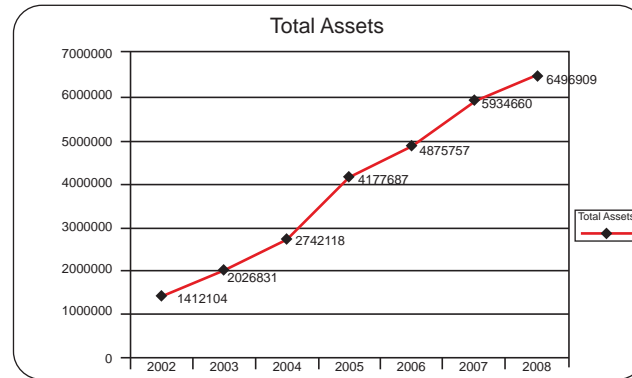
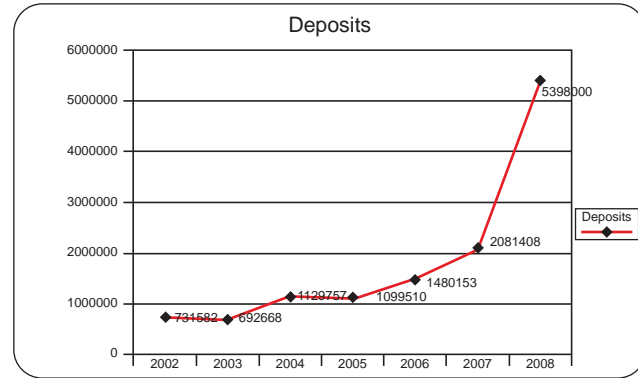
Last Six Years of Escorts Bank At A Glance

(Rupees in '000')

	2008	2007	2006	2005	2004	2003
FINANCIAL DATA						
Share Capital	441,000	441,000	441,000	300,000	300,000	200,000
Share Deposit Money	-	-	-	85,795	-	-
Reserves	410,850	361,233	319,269	154,218	114,816	71,195
Shareholders' Equity	851,850	802,233	760,269	540,013	414,816	271,195
Deposits	1,327,061	2,081,408	1,480,153	1,099,510	1,129,757	692,668
Borrowings from Financial Institutions	2,983,208	2,770,032	2,206,358	2,307,443	1,060,029	777,900
Total Liabilities	5,645,060	5,132,427	4,115,488	3,661,020	2,368,842	1,692,905
Tangible Fixed Assets	166,115	159,142	136,629	123,898	23,220	13,208
Intangible Fixed Assets	35,917	44,087	45,087	44,105	42,420	7,170
Capital Work in Progress	1,300	18,036	-	-	-	-
Financing - Net of Provision	281,673	351,638	342,733	746,860	481,396	375,654
Net Investment in Finance Lease	72,272	64,949	30,948	-	-	-
Investments & Placements	4,631,475	4,671,168	3,710,283	2,266,564	1,899,916	1,427,863
Total Assets	6,496,909	5,934,660	4,875,757	4,177,687	2,742,118	2,026,831
OPERATING RESULTS						
Total Revenue	837,164	841,512	716,284	488,658	239,434	233,895
Markup Expense	482,477	472,673	306,870	158,418	85,142	115,310
Operating & Other Expenses	251,038	226,953	200,688	149,825	71,678	45,215
Provision against Non-Performing Loans	9,134	684	10,772	26,345	6,159	1,306
Impairment - Held to Maturity Investments	-	-	-	20,000	-	-
Profit before Tax	94,512	141,201	197,955	134,071	76,456	72,064
Profit after Tax	137,817	130,164	186,051	129,401	73,622	57,562
Dividend (%)	20.00	20.00	20.00	20.00	15.00	15.00
FINANCIAL RATIOS						
Earnings per Share (Rs.)	3.13	2.95	4.44	3.77	3.05	2.69
Net Asset Value per Share (Rs.)	19.32	18.19	17.24	15.14	13.83	13.56
Market Value per Share (Rs.)	12.68	16.40	16.00	10.60	14.90	9.40
High	20.10	17.40	21.55	21.50	17.20	10.00
Low	11.00	13.00	9.85	9.80	9.45	7.70
Price Earning Ratio	4.06	5.56	3.60	2.81	4.89	3.50
Dividend per Share (Rs.)	2.00	2.00	2.00	2.00	1.50	1.50
Dividend Yield (%)	15.77	12.20	12.50	18.87	10.07	15.96
Dividend Payout Ratio(%)	64.00	67.76	45.00	53.05	49.26	55.85
Profit Before Tax Ratio (%)	11.29	16.78	27.64	27.44	31.93	30.81
Revenue to Expenses (Times)	1.13	1.20	1.38	1.38	1.47	1.45
Return on Average Assets (%)	2.22	2.41	4.11	3.74	3.09	3.35
Return on Capital Employed (%)	16.66	16.66	28.62	29.78	21.46	23.17
Total Assets Turnover Ratio (Times)	0.13	0.16	0.16	0.14	0.10	0.14
Advances to Deposits (Times)	0.21	0.17	0.23	0.68	0.43	0.54
Borrowings to Equity (Times)	5.06	6.05	4.85	6.31	5.28	5.42
Total Liabilities to Equity (Times)	6.63	6.40	5.41	6.78	5.71	6.24

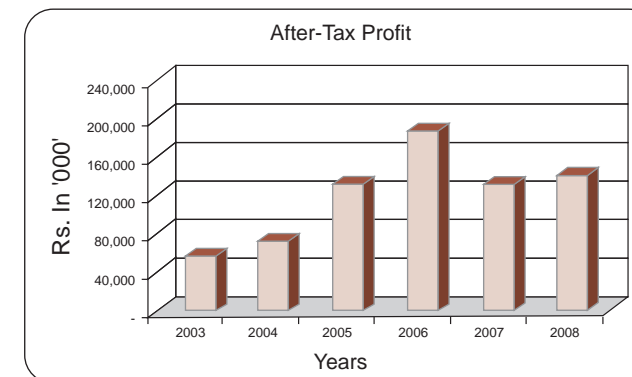
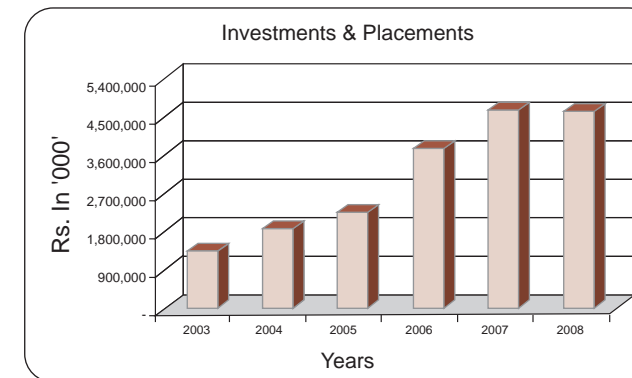
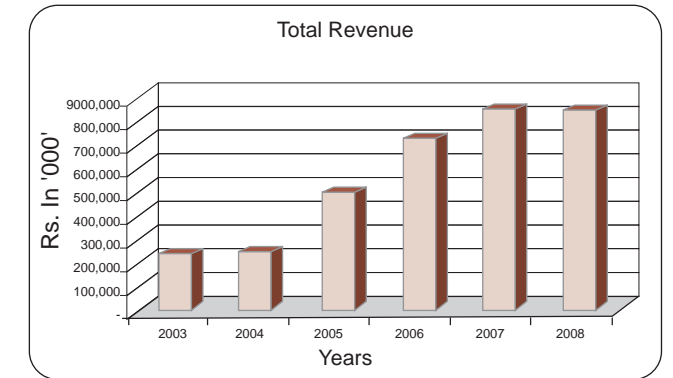
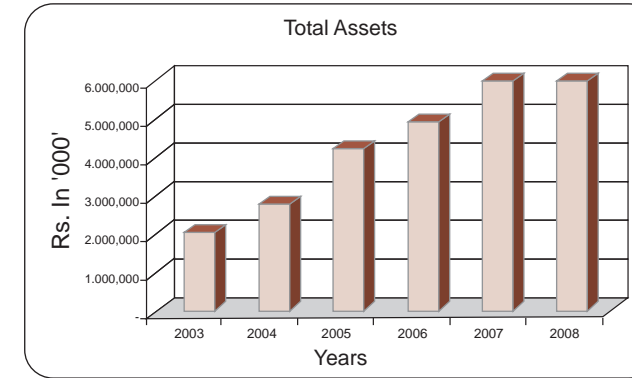
Graphical Depiction

Last Six Years of Escorts Bank At A Glance



Graphical Depiction

Last Six Years of Escorts Bank At A Glance



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of stock exchanges where the Company's shares are listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors of Escorts Investment Bank Limited ("the Company") has adopted and applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors including two independent directors. The Company has on its Board one director representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Escorts Investment Bank Limited.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC or being a member of a stock exchange, has been declared a defaulter by that stock exchange.
4. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and Executive Director have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
8. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
9. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
10. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
11. The Company has complied with all the corporate and financial reporting requirements of the Code.
12. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the chairman of the committee.
13. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
14. The Board has set up an effective internal audit function that has been outsourced to M/s A. F. Fergusons & Co. Chartered Accountants. A team of suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company have been deployed on a full time basis.
15. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other material principles contained in the Code have been complied with.



Rashid Mansur
Chief Executive Officer

Lahore: 20 August 2008



Shazia Bashir
Director

Auditors' Review Report to the Members on statement of Compliance with best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2008.

KPMG Taseer Hadi & Co
Chartered Accountants

Lahore: 20 August 2008

Statement of Ethics and Business Practices

The following core values have been incorporated in our System to promote ethical business practices while producing quality services.

Business Practices

Escorts Bank recognizes responsibilities in the following areas:

Shareholders

To protect shareholders investment and to provide them maximum return on their investment. We focus on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable expansion.

Customers

To provide them with the best investment opportunities and financial products that can cater to changing economic environment. Our focus is on building enduring relationships with our clients to help meet their financial goals, providing friendly, caring, seamless service and excellent value through a wide range of products and services. Prompt, efficient attention to complaints is integral to our client care commitment.

Employees

To provide our employees with a friendly and congenial environment to work in and to provide them an equal opportunity to prosper and grow. There are job opportunities available for the most deserving candidates depending on their professional achievements and skills in their chosen departments. We feel that strong relationship with employees is vital to our future success. Each employee plays an important role in advancing our reputation and is required to be fully familiar with our code of conduct. We are focused on providing leading-edge workplace practices, opportunities for continuous learning, and challenging and satisfying careers to our employees.

Society

To conduct business as a good corporate citizen of the society, while respecting and complying with the prevalent laws as a financial entity.

Business Integrity

Escorts Bank believes in the following five principles to be applied in all aspects of their business:

- Personal Responsibility
- Integrity
- Honesty
- Teamwork
- Diversity

All business transactions on behalf of Escorts Investment Bank Limited must be reflected accurately and fairly in the accounts of the Company in accordance with established procedures and should be subject to audit.

Reliability and Reporting

All transactions and contracts are fully documented and are available for review of the concerned quarters. Escorts Bank complies with the International Accounting Standards (as applicable in Pakistan) and all applicable laws and regulations, whereby its financial statements present a true picture of the underlying transactions.

Economic Principles

Maximization of profitability is essential for any financial institution, as this is used as a yardstick to determine efficiency. Also, it is necessary to allocate resources in a manner that will result in profitability. Escorts Bank allocates resources including Capital, Management Time, Human Resources and Information Technology according to a range of factors, such as size and complexity of the operation, growth prospects and contribution made by each area.

Political Activities

Escorts Bank believes in staying detached from all political activities.

Health and Safety

The maintenance of appropriate health and safety standards throughout Escorts Bank is a key responsibility of all managers. Escorts Bank's objective is to identify, remove, reduce or control material risks of fire and of accidents or injuries to employees and Visitors.

Statement of Compliance with Best Practices on Transfer Pricing for the Year Ended 30 June 2008

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the stock exchanges where the Company's shares are listed.

For and on behalf of the Board



Rashid Mansur
Chief Executive Officer

Lahore: 20 August 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore: 20 August 2008

Balance Sheet

As at 30 June 2008

ASSETS			
	Note	2008 Rupees	2007 Rupees
Non-current Assets			
Fixed assets	4	135,382,584	143,159,956
Cards and rooms	5	67,950,000	78,105,000
Long term investment in subsidiary company	6	175,004,000	-
Long term investments	7	556,374,351	569,162,392
Long term finances	8	21,436,448	39,451,792
Net investment in lease finance	9	55,931,406	53,761,296
Long term loans and advances	10	3,208,457	2,636,526
Long term deposits and prepayments	11	11,215,958	12,945,698
Deferred tax asset	12	75,962,978	22,276,280
Current Assets			
Current maturities of non-current assets	13	96,734,937	95,684,515
Short term investments	14	1,578,486,799	1,307,019,474
Short term finances	15	193,162,298	241,978,657
Short term placements	16	2,493,281,543	2,789,895,924
Advances, deposits, prepayments and other receivables	17	852,836,224	445,154,268
Cash and bank balances	18	179,941,667	133,428,181
		5,394,443,468	5,013,161,019
		6,496,909,650	5,934,659,959
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	19	441,000,000	441,000,000
Reserves	20	410,850,425	361,232,726
		851,850,425	802,232,726
Deficit on Revaluation of Investments	21	(3,533,300)	(4,140,041)
Non-Current Liabilities			
Term finance certificates	22	539,627,983	629,848,001
Liabilities against assets subject to finance lease	23	5,940,335	6,788,534
Long term certificates of deposit	24	340,178,159	312,894,289
Long term security deposit		25,789,464	18,473,051
Current Liabilities			
Current maturities of non-current liabilities	25	107,946,750	142,300,687
Short term borrowings	26	2,345,000,000	1,745,000,000
Running finance - secured	27	1,088,962,624	295,856,901
Short term certificates of deposit	28	971,576,855	1,718,751,351
Trade and other payables	29	194,854,823	235,613,582
Provision for taxation	30	28,715,532	31,040,878
		4,737,056,584	4,168,563,399
Contingencies and Commitments			
	31	6,496,909,650	5,934,659,959

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Profit and Loss Account

For the year ended 30 June 2008

INCOME

	Note	2008 Rupees	2007 Rupees
Profit on financing	32	49,274,522	55,060,096
Mark-up on lease finance		8,262,052	4,938,098
Return on placements	33	243,046,131	382,751,664
Return on investments	34	425,523,399	309,738,734
Fees and commission	35	102,738,889	85,783,846
Other income		8,318,715	3,239,219
		837,163,708	841,511,657

EXPENSES

Return on certificates of deposit		156,781,872	206,277,882
Return on term finance certificates		81,642,925	58,868,250
Mark-up on short term running finance		42,785,795	44,278,766
Mark-up on borrowings from financial institutions		201,266,596	163,248,332
Amortization of premium on held to maturity investments		10,548,036	9,787,260
Administrative and other operating expenses	36	238,195,395	216,349,091
Impairment on available for sale investments		1,561,745	-
Other financial charges		734,827	817,025
		733,517,191	699,626,606
Operating profit before provisions and taxation		103,646,517	141,885,051
Provision for doubtful finances		9,134,544	683,696
Profit before taxation		94,511,973	141,201,355
Taxation	37	43,305,726	11,037,647
Profit after taxation		137,817,699	130,163,708
Earnings per share-basic and diluted	38	3.13	2.95

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Cash flow statement

For the year ended 30 June 2008

	2008 Rupees	2007 Rupees
Cash flow from operating activities		
Profit before taxation	94,511,973	141,201,355
Adjustment for non cash expenses and other items:		
Dividend income	(139,833,798)	(121,843,940)
Depreciation of tangible assets	18,641,830	18,353,613
Amortization of intangible assets	999,900	999,900
Provision for doubtful finances	9,134,544	683,696
Provision for doubtful receivables	-	-
Amortization of premium on held to maturity investments	10,548,036	9,787,260
Amortization of issuance cost of listed TFCs	1,573,296	524,430
Loss on sale of fixed assets	3,749	835,200
Impairment on available for sale investments	1,561,744	-
	(97,370,699)	(90,659,841)
	(2,858,726)	50,541,514
(Increase)/decrease in operating assets		
Repayments / (disbursements) of finances - net	60,829,088	(9,588,206)
Net investment in lease finance	(493,760)	(23,674,731)
Investment in placements - net	296,614,381	(519,774,024)
Investments - net	(268,422,328)	(439,636,821)
Loans and advances	(319,766,649)	48,696,458
Deposits and prepayments	661,623	(9,764,565)
	(230,577,645)	(953,741,889)
Increase/(decrease) in operating liabilities		
Borrowings from financial institutions	600,000,000	600,000,000
Receipts from certificates of deposit	(754,347,477)	601,255,471
Running finance facilities	793,105,723	(482,481,838)
Trade and other payables	(40,716,236)	(172,461,174)
	598,042,010	546,312,459
Net changes in operating assets and liabilities	367,464,365	(407,429,430)
Net cash generated from / (used in) operating activities before taxes	364,605,639	(356,887,916)
Taxes paid	(104,668,936)	(97,544,285)
Net cash generated from / (used in) operating activities	259,936,703	(454,432,201)
Cash flow from investing activities		
Fixed capital expenditure incurred	(14,080,282)	(28,957,704)

Cash flow statement (contd.)

For the year ended 30 June 2008

	Note	2008 Rupees	2007 Rupees
Dividend received		143,586,772	119,890,786
Proceeds from sale of fixed assets		1,672,211	2,459,773
Investment in cards and rooms		10,155,000	(32,700,000)
Investment in subsidiary company		(175,004,000)	-
Net cash (used in) / generated from investing activities		(33,670)	60,692,855
Cash flow from financing activities			
Dividend paid		(87,214,319)	(88,183,169)
Proceeds from issuance of listed term finance certificates - net of initial transaction cost		-	492,133,544
Redemption of listed term finance certificates		(200,000)	-
Redemption of term finance certificates		(91,593,314)	(45,851,657)
Repayment of lease obligation		(745,285)	(651,213)
Net cash (used in) / generated from financing activities		(179,752,918)	357,447,505
Net increase / (decrease) in cash and cash equivalents		46,513,486	(36,291,841)
Cash and cash equivalents at the beginning of the year		133,428,181	169,720,022
Cash and cash equivalents at the end of the year	18	179,941,667	133,428,181

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital Rupees	Statutory reserve Rupees	Un-appropriated profit Rupees	Total Rupees
Balance as at 01 July 2006	441,000,000	100,453,803	218,815,215	760,269,018
Net profit for the year	-	-	130,163,708	130,163,708
Transfer to statutory reserve	-	26,032,742	(26,032,742)	-
Final dividend for 2006 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2007	441,000,000	126,486,545	234,746,181	802,232,726
Net profit for the year	-	-	137,817,699	137,817,699
Transfer to statutory reserve	-	27,563,540	(27,563,540)	-
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2008	441,000,000	154,050,085	256,800,340	851,850,425

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Notes to the Financial Statements

For the year ended 30 June 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operation on 16 October 1996. The Company is listed on the Karachi and Lahore stock exchanges. Escorts Investment Bank Limited is licensed to carry out investment finance services and leasing business as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

JCR VIS Credit Rating Company Limited has reaffirmed the Short Term Credit Rating of the Company at "A-1" (Single A one) while Medium to Long Term Credit Rating has also been reaffirmed at "A" (Single A) with stable outlook.

The Company is a member of Karachi Stock Exchange (Guarantee) Limited (KSE). The Company has undertaken to contribute to the assets of KSE, an amount not exceeding one thousand rupees, in the event of its winding up, in accordance with its Memorandum of Association.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984, except for the disclosure requirements of Clause 3C of Part II of the Fourth Schedule to the Companies Ordinance, 1984 in respect of which the SECP has given exemption to all NBFCs vide their letter No.SC/NBFC/-1/R/2005, dated 29 August 2005, and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives takes precedence.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated 13 August 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

Standards, interpretations and amendments to published approved accounting standards that are yet not effective

Certain amendments to IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Company's financial statements.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Company.

2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments

about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets
- Taxation
- Impairment
- Provisions and contingencies

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except held for trading and available for sale investments, which have been recognized at fair values.

3.2 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress which is stated at cost. Depreciation is charged using "straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Building	5
Free-hold improvements	20
Lease-hold improvements	20
Furniture and fittings	10
Computer equipments	33
Office equipments	10
Vehicles	20

Full month's depreciation is charged on additions during the month in which asset is available for use, while no depreciation is charged in the month in which asset is disposed off.

Minor repair and renewals are charged to income as and when incurred.

Major renewals and improvements are capitalized

The gain or loss on disposal or retirement of an asset, represented by the difference between sale proceeds and the carrying amount of the asset, is included in income currently.

Fully depreciated assets are being kept at a token value of Rs. 1/- each.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is recorded when these assets are available for use, using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rate:

	Rate in %
Computer software	33

3.3 Assets subject to finance lease

The Company accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. Financial charges relating to leased assets are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using "straight line method" at the rates specified in note 3.2.

3.4 Cards and rooms

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

3.5 Investments

Subsidiary Company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amounts of the investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

Held to maturity

Investments with fixed maturity where management has both the intent and ability to hold till maturity are classified as held to maturity.

Available for sale

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Held for trading

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as held for trading.

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, investments Held for trading and Available for sale investments for which active market exists, are measured at their market value while Held to maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset.

Any surplus or deficit on revaluation of Held for trading investments are charged to income currently, while in case of available for sale investments, the resulting surplus/(deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity as surplus/(deficit) on revaluation of investments. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to the profit and loss account.

3.6 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings from banks/ NBFCs. The difference between sale and repurchase price is treated as mark-up on borrowings from banks/ NBFCs and accrued over the life of the repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

3.7 Net investment in lease finance

Leases where all the risks and rewards incidental to ownership of the asset are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts.

3.9 Financial instruments

Financial assets

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivable from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Derivatives

Derivative instruments held by the Company comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.11 Staff retirement benefits

Employees compensated absences

Liability for accumulated compensated absences of employees is accounted for in the period in which these absences are earned.

Provident fund

The Company operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Company to the fund at 10% of basic salary. The fund is administered by the Trustees.

3.12 Revenue recognition

Return on finances provided, leasing, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognised using the finance method. Under this method, the unearned lease income, i.e. the excess of aggregate lease rentals and the residual value over the cost of leased asset, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established.

3.13 Return on deposits and borrowings

Return on Certificates of Deposit (CODs) and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any.

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

3.15 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

3.16 Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3.17 Dividend distributions and appropriations

Dividend distribution and appropriations other than statutory appropriations are recorded in the period in which they are approved.

4. FIXED ASSETS

	Note	2008 Rupees	2007 Rupees
Property and equipment	4.1	133,415,684	123,456,705
Intangible assets	4.2	666,900	1,666,800
		134,082,584	125,123,505
Capital work in progress			
Advance - Tangible		-	16,736,451
Advance - Intangible		1,300,000	1,300,000
		1,300,000	18,036,451
		135,382,584	143,159,956

4.1 Property and equipment

	Cost			Depreciation			Net book Value	
	As at 01 July 2007 Rupees	Additions / (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees	As at 30 June 2008 Rupees
Owned								
Building	89,692,600	-	89,692,600	9,342,979	4,484,630	-	13,827,609	75,864,991
Lease-hold improvements	8,635,513	11,822,077	20,457,590	4,883,749	2,100,335	-	6,984,084	13,473,506
Free-hold improvements	-	6,712,240	6,712,240	-	335,612	-	335,612	6,376,628
Furniture and fittings	4,538,008	2,498,657	7,036,665	1,343,997	472,272	-	1,816,269	5,220,396
Computer equipments	15,042,127	1,830,974	16,873,101	10,039,131	3,400,285	-	13,439,416	3,433,685
Office equipments	11,163,647	1,473,403	12,637,050	2,278,827	1,106,663	-	3,385,490	9,251,560
Vehicles	29,501,717	5,939,418 (3,546,955)	31,894,180	13,073,219	4,943,573	(1,870,995)	16,145,797	15,748,383
	158,573,612	30,276,769 (3,546,955)	185,303,426	40,961,902	16,843,370	(1,870,995)	55,934,277	129,369,149
Leased								
Vehicles	8,992,300	-	8,992,300	3,147,305	1,798,460	-	4,945,765	4,046,535
2008	167,565,912	26,729,814	194,295,726	44,109,207	18,641,830	(1,870,995)	60,880,042	133,415,684
2007	164,303,096	3,262,816	167,565,912	30,659,022	18,353,613	(4,903,428)	44,109,207	123,456,705

4.2 Intangible assets

	Cost			Amortization			Net book Value	
	As at 01 July 2007 Rupees	Additions (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees	As at 30 June 2008 Rupees
Computer software	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100	666,900
2008	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100	666,900
2007	3,000,000	-	3,000,000	333,300	999,900	-	1,333,200	1,666,800

4.3 Following assets having book value above Rs. 50,000 were disposed off during the year

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain/(loss) Rupees	Mode of Disposal	Particulars
Vehicles	1,134,485	(680,691)	453,794	453,794	-	Company Policy	Mr. Naeem Khan, Ex - Employee
	1,127,500	(714,083)	413,417	413,417	-	Company Policy	Mr. Jawad Akhter, Head of CMD
	543,180	(117,689)	425,491	425,000	(491)	Negotiations	Sold to Mr. Bilal Akram
	741,790	(358,532)	383,258	380,000	(3,258)	Negotiations	Sold to Mr. Zubair
Total	3,546,955	(1,870,995)	1,675,960	1,672,211	(3,749)		

5. CARDS AND ROOMS

	2008 Rupees	2007 Rupees
Corporate membership of Karachi stock exchange	35,250,000	35,250,000
Corporate membership of Lahore stock exchange	-	7,170,000
Rooms	32,700,000	35,685,000
	67,950,000	78,105,000

6. LONG TERM INVESTMENT SUBSIDIARY COMPANY - UNLISTED ESCORTS CAPITAL LIMITED

	Note	2008 Rupees	2007 Rupees
17,500,400 (2007: Nil) ordinary shares of Rs. 10 each		175,004,000	-

7. LONG TERM INVESTMENTS

	Note	2008 Rupees	2007 Rupees
Held to maturity			
Pakistan Investment Bonds	7.1	548,446,169	558,994,205
Term finance certificates - unlisted	7.2	11,259,091	15,259,091
		559,705,260	574,253,296
Less: Current maturity of term finance certificates	13	3,330,909	5,090,904
		556,374,351	569,162,392

7.1 Pakistan Investment Bonds

	2008 Rupees	2007 Rupees
Cost	606,221,300	606,221,300
Less: Amortization - opening	27,227,095	17,439,835
Charge for the year	10,548,036	9,787,260
	568,446,169	578,994,205
Less: Impairment loss	20,000,000	20,000,000
	548,446,169	558,994,205

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan. Periods to maturity of these investments range from 4.5 years to 17 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2007: 10% to 12% per annum). These investments are held by other financial institutions as security under repurchase transactions.

7.2 Term finance certificates-Unlisted

Name	Redemption terms	2008 Rupees	2007 Rupees
New Khan Transport Company (Private) Limited	This has been rescheduled in previous year and is payable in unequal monthly installments ending December 2009 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25%.	11,259,091	15,259,091

8. LONG TERM FINANCES

	Note	2008 Rupees	2007 Rupees
Related parties-Secured and considered good			
Associated companies	8.1	2,232,740	1,887,841
Executives	8.2	10,632,026	21,829,382
		12,864,766	23,717,223
Others - Secured and considered good			
	8.3	69,898,706	57,407,612
		82,763,472	81,124,835
Considered doubtful			
Others	8.4	37,887,301	53,475,830
Less: Provision for doubtful finances	8.5	32,139,679	24,942,298
		5,747,622	28,533,532
		88,511,094	109,658,367
Less: Current maturity	13	67,074,646	70,206,575
		21,436,448	39,451,792

8.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 14% to 17% per annum. (2007: 14% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2008 Rupees	2007 Rupees
Escorts Pakistan Limited	1,737,351	2,213,592
Essem Hotel Limited	495,389	800,775

8.2 Executives

These represent finance provided to the Chief Executive Officer (CEO) and Executives against mortgage of properties and hypothecation of vehicles in accordance with the terms of employment for period ranging from 5 years to 15 years and carry mark-up ranging from 6% to 17% (2007: 3% to 12% per annum).

	CEO Rupees	Executives Rupees	2008 Rupees	2007 Rupees
Opening Balance	9,500,864	12,328,518	21,829,382	15,437,622
Add: Employees promoted to executive category	-	-	-	1,010,250
Disbursements made during the year	-	-	-	10,421,866
	9,500,864	12,328,518	21,829,382	26,869,738
Less: Repayments during the year	465,369	10,731,987	11,197,356	5,040,356
	9,035,495	1,596,531	10,632,026	21,829,382

The finance provided to the CEO represents house finance against mortgage of property with 20% margin. This facility carries mark-up at the rate of 6% per annum, payable on monthly basis. One fourth (25%) of the principal amount is payable at maturity while the remaining balance is payable in unequal monthly instalments. The remaining period of this facility is four years and six months.

	2008 Rupees	2007 Rupees
The maximum balance outstanding at the end of any month during the year.	21,817,160	21,990,865

8.3 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5.5 years. The expected rate of return ranges from 9% to 20.15% per annum (2007: 9% to 17% per annum).

8.4 These represent finance facilities which have been classified under non-performing status detailed below:

	2008 Rupees	2007 Rupees
Other assets especially mentioned	-	12,207,787
Substandard	-	8,074,610
Doubtful	-	1,053,754
Loss	37,887,301	32,139,679
	37,887,301	53,475,830

8.5 Particulars of provision for doubtful finances

	2008 Rupees	2007 Rupees
Opening balance	24,942,298	24,142,402
Charge for the year	7,197,381	799,896
Closing balance	32,139,679	24,942,298

9 NET INVESTMENT IN LEASE FINANCE

	Note	2008 Rupees	2007 Rupees
Net investment in lease finance	9.1	72,271,597	64,949,664
Less: Current maturity	13	16,340,191	11,188,368
		55,931,406	53,761,296

9.1 Particulars of net investment in lease finance

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
Leased rentals receivable	23,826,807	36,279,551	60,106,358	61,376,814
Add: Residual value	-	25,789,465	25,789,465	18,473,051
Gross investment in lease finance	23,826,807	62,069,016	85,895,823	79,849,865
Less: Unearned finance income	7,486,616	6,137,610	13,624,226	14,900,201
Net investment in lease finance	16,340,191	55,931,406	72,271,597	64,949,664

9.2 The leases made by the Company are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 61.53% (2007 : 10% to 61.53%). Leased assets are insured in favour of the Company. The rate of return ranges from 11.36% to 17 % per annum (2007 : 11.36% to 17 % per annum). Penalty is charged in case of delayed payments.

9.3 As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounts to Rs. 0.847 million (2007 : 5.580 million) at the end of current year.

10 LONG TERM LOANS AND ADVANCES

	Note	2008 Rupees	2007 Rupees
Loan to staff-unsecured, considered good			
Executives - related parties	10.1	2,105,599	2,500,269
Other employees		3,046,205	2,357,198
		5,151,804	4,857,467
Less: Current maturity	13	1,943,347	2,220,941
		3,208,457	2,636,526

10.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly instalment, in accordance with the Company's policy for staff loans.

	2008 Rupees	2007 Rupees
Opening balance	2,500,269	2,915,297
Add: Employees promoted to executive category	-	165,000
Disbursements during the year	1,671,875	2,492,228
Less: Repayments during the year	2,066,545	3,072,256
Closing balance	2,105,599	2,500,269
The maximum balance outstanding from executives at the end of any month during the year was:	2,443,729	2,556,809

11 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2008 Rupees	2007 Rupees
Security deposits		7,448,309	7,739,400
Prepayments		11,813,493	12,184,025
		19,261,802	19,923,425
Less: Current maturity	13	8,045,844	6,977,727
		11,215,958	12,945,698

12 DEFERRED TAX ASSET

	2008 Rupees	2007 Rupees
(Taxable) temporary differences on fixed assets	(20,022,372)	(18,527,047)
Deductible temporary differences on investments	20,221,296	16,529,483
Deductible temporary differences on finances and receivables	23,998,577	20,801,486
Deductible temporary differences on trade and other payables.	2,558,030	2,155,818
(Taxable) / Deductible temporary differences on leasing finance	(2,691,409)	1,316,540
Deductible temporary differences on tax losses	51,898,856	-
	75,962,978	22,276,280

12.1 Movement in deferred tax asset

	2008 Rupees	2007 Rupees
Opening balance	22,276,280	15,715,126
Recognized during the year	53,686,698	6,561,154
Closing balance	75,962,978	22,276,280

13 CURRENT MATURITIES OF NON-CURRENT ASSETS

	Note	2008 Rupees	2007 Rupees
Term finance certificates	7	3,330,909	5,090,904
Long term finances	8	67,074,646	70,206,575
Net investment in lease finance	9	16,340,191	11,188,368
Long term loans and advances	10	1,943,347	2,220,941
Long term deposits and prepayments	11	8,045,844	6,977,727
		96,734,937	95,684,515

14 SHORT TERM INVESTMENTS

	Note	2008 Rupees	2007 Rupees
Available for sale			
Listed term finance certificates	14.1	17,316,843	28,257,500
Listed shares/units	14.2	46,903,897	31,284,203
		64,220,740	59,541,703
Held for trading			
Listed shares	14.3	1,514,266,059	1,247,477,771
		1,578,486,799	1,307,019,474

14.1 Particulars of listed Term Finance Certificates (TFCs)

No. of Certificates	2008	2007	Name	2008		2007	
				Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
-	2,000		Chemical and Pharmaceutical Ittehad Chemicals Limited	-	-	3,330,720	3,330,720
			Oil and Gas Exploration Companies Naimat Basal Oil and Gas Securitization Company	3,952,160	4,008,281	6,107,600	6,229,752
2,000	2,000		Investment Companies and Banks ABN AMRO Bank Pakistan Ltd. - TFC's	6,572,104	6,933,642	6,574,736	6,804,852
-	1,000		Innovative Investment Bank Ltd.	-	-	2,112,533	1,690,026
			Leasing AlZamin Leasing Modaraba - I AlZamin Leasing Modaraba - II	3,400,000 3,233,400	3,265,360 3,109,560	6,800,000 4,755,000	5,780,000 4,422,150
2,000 951	2,000 951			17,157,664	17,316,843	29,680,589	28,257,500

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
Oil and Gas Exploration Companies				
Naimat Basal Oil and Gas Securitization Company	5,000	2.50% over 6 months KIBOR with 7.50% p.a. as floor and 13.00% p.a. as ceiling.	Monthly	12 April 2010
Investment Companies and Banks				
ABN AMRO Bank Pakistan Ltd. - TFC's	5,000	1.90 % over 6 months KIBOR	Semi annually	9 March 2014
Leasing				
AlZamin Leasing Modaraba - I	5,000	Musharika based with minimum expected profit of 8.00% p.a.	Semi annually	24 December 2008
AlZamin Leasing Modaraba - II	5,000	Musharika based with minimum expected profit of 9.50% p.a.	Semi annually	1 June 2010

14.2 Particulars of listed shares / units - Available for sale investments

All shares/units have face value of Rs. 10 each, except for Atlas Islamic Fund (Rs. 500 each), Askari Asset Allocation Fund and HBL Income Fund (Rs. 100 each).

No. of Certificates/Units 2008		2007	Name	2008		2007	
				Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
			Mutual Fund - Open End				
10,298	10,000		Atlas Islamic Fund	5,000,000	5,193,759	5,000,000	5,098,500
50,000	50,000		HBL Income Fund	5,000,000	5,122,500	5,000,000	5,136,000
49,907	-		Askari Asset Allocation Fund	5,000,000	4,413,308	-	-
			Mutual Fund - Close End				
1,377,000	1,377,000		UTP - Large Capital Fund	13,509,237	11,580,570	13,509,237	11,635,650
1,008,500	708,500		Pakistan Strategic Allocation Fund	10,143,291	9,288,285	7,085,000	7,439,250
45	40		Dawood Capital Management Fund	281	1,256	281	420
21,800	21,800		PICIC Growth Fund	752,500	518,186	752,500	736,840
747,500	-		Pak Premier Fund	10,398,622	9,994,075		
			Textile Spinning				
326	30,326		Dewan Farooq Spinning Mills Limited	3,260	2,833	303,260	271,418
			Power Generation and Distribution				
147,500	147,500		Southern Electric Power Company Limited	2,350,876	789,125	2,350,876	966,125
				52,158,067	46,903,897	34,001,154	31,284,203

14.3 Particulars of listed shares - Held for trading investments

Investment in ordinary shares of Rs. 10 each of the following companies:

No. of Shares 2008 2007		Name	2008		2007	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Commercial Banks						
7,546	25,600	National Bank of Pakistan	1,637,580	1,113,035	6,136,106	6,565,720
-	15,500	Allied Bank Limited	-	-	1,706,170	2,153,719
-	250	Standard Chartered Bank Pakistan Limited	-	-	131	13,237
Insurance						
30,000	-	Adamjee Insurance Company Ltd. EFU General Insurance Company Ltd.	8,154,346	8,121,600	-	-
7,500	-		2,568,655	2,706,450		
Fertilizer						
55,700	-	Fauji Fertilizer Company Ltd.	7,242,359	7,370,224	-	-
Investment Company						
51,500	-	Jahangir Siddique & Company Ltd.	26,852,479	27,302,725	-	-
Oil and Gas Marketing Company						
100,000	-	Pakistan State Oil Limited	44,399,809	41,724,000	-	-
Oil and Gas Exploration Companies						
27	200,227	Oil and Gas Development Company Limited	3,200	3,358	24,055,098	23,987,195
37,100	13,000	Pakistan Oilfields Limited	14,176,746	13,535,564	4,498,011	4,121,000
44,600	-	Pakistan Petroleum Limited	11,460,518	10,971,154	-	-
			116,495,692	112,848,110	36,395,516	36,840,871
		Value of shares sold in futures markets (Note 14.3.1)	1,410,680,217	1,401,417,949	1,224,107,132	1,210,636,900
			1,527,175,909	1,514,266,059	1,260,502,648	1,247,477,771

14.3.1 These represent investment in shares sold in futures market with settlement dates subsequent to the year end.

15 SHORT TERM FINANCES

	Note	2008 Rupees	2007 Rupees
Secured and considered good			
Executives	15.1	-	450,000
Others		176,922,661	220,765,244
Considered doubtful			
Others	15.2	33,113,834	35,700,447
Less: Provision for doubtful finances	15.3	16,874,197	14,937,034
		16,239,637	20,763,413
		193,162,298	241,978,657

15.1 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 11.5% to 19.65% per annum (2007: 12.5% to 16% per annum). These include finances against pledge of listed shares and Bank's own Certificates of Deposit amounting to Rs. 26.950 million (2007: Rs.25.700 million), while Rs. 129.618 million (2007: Rs. 194.664 million) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

15.2 These finance facilities include Rs. 33.113 million (2007: Rs. 35.700 million) which have been placed under non-performing status detailed below:

	2008 Rupees	2007 Rupees
Substandard	-	21,932,613
Loss	33,113,834	13,767,834
	33,113,834	35,700,447

15.3 Particulars of provision for doubtful finances:

	2008 Rupees	2007 Rupees
Opening balance	14,937,034	15,053,234
Charge for the year	1,937,163	(116,200)
Closing balance	16,874,197	14,937,034

16 SHORT TERM PLACEMENTS

	Note	2008 Rupees	2007 Rupees
Considered good			
Unsecured	16.1	318,000,000	20,000,000
Secured under reverse repurchase agreements	16.2	2,175,281,543	2,769,895,924
		2,493,281,543	2,789,895,924

16.1 This represents clean placement with financial institution and carry mark-up at 11% (2007: 11% per annum).

16.2 Securities held as collateral - Market value

	2008 Rupees	2007 Rupees
Quoted shares	2,097,016,739	2,784,646,205

These represent secured placements for a maximum period of up to 30 days and carry mark-up ranging from 10.20% to 17.19% per annum (2007: 11.42% to 19.83% per annum).

17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2008 Rupees	2007 Rupees
Advances - Considered good		570,936	861,657
Advance income tax		303,965,182	210,695,692
Income tax refundable		19,444,153	20,751,025
Advance for purchase of units - open end mutual fund		-	5,000,000
Deposits against exposure limits		13,296,868	2,772,869
Prepayments		3,856,418	3,125,403
Receivable from subsidiary company		1,911,800	-
Receivable from National Clearing Company Pakistan Limited (NCCPL) and stock exchanges		395,456,699	70,863,161
Accrued mark-up		21,928,841	16,949,652
Dividend receivable		12,965,480	16,718,454
Receivable from clients	17.1	75,221,128	93,362,205
Overdue lease rental		-	2,279,753
Other receivables		4,218,719	1,774,397
		852,836,224	445,154,268

17.1 Receivable from clients

	2008 Rupees	2007 Rupees
Considered good	74,682,719	92,823,796
Considered doubtful	20,091,894	20,091,894
Less: Provision for doubtful receivables	19,553,485	19,553,485
	538,409	538,409
	75,221,128	93,362,205

18 CASH AND BANK BALANCES

	Note	2008 Rupees	2007 Rupees
Cash in hand		148,245	-
Cash with banks			
Current account with:			
State Bank of Pakistan		757,813	518,916
Others		2,037,265	5,152,837
		2,795,078	5,671,753
Deposit accounts	18.1	176,998,344	127,756,428
		179,941,667	133,428,181

18.1 Rate of return on these accounts ranges from 0.57% to 6.04% per annum (2007: 1.00% to 8% per annum).

19 SHARE CAPITAL

	2008 Rupees	2007 Rupees
Authorized share capital		
50,000,000 (2007: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up capital		
42,000,000 (2007: 42,000,000) ordinary shares of Rs. 10 each	420,000,000	420,000,000
2,100,000 (2007: 2,100,000) ordinary shares of Rs. 10 each issued as bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

19.1 Essem Power (Private) Limited, an associated company, holds 39.01% (2007: 39.01%) ordinary shares in the Company.

20 RESERVES

	Note	2008 Rupees	2007 Rupees
Capital reserve			
statutory reserve	20.1	154,050,085	126,486,545
Revenue reserve			
unappropriated profits		256,800,340	234,746,181
		410,850,425	361,232,726

20.1 This represents special reserve created in compliance with Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.

21 DEFICIT ON REVALUATION OF INVESTMENTS

	2008 Rupees	2007 Rupees
Available for sale		
Listed term finance certificates	159,179	(1,423,089)
Listed shares/units	(3,692,479)	(2,716,952)
	(3,533,300)	(4,140,041)

22 TERM FINANCE CERTIFICATES

	Note	2008 Rupees	2007 Rupees
Listed	22.1	493,831,270	492,457,974
Unlisted	22.2	45,796,713	137,390,027
		539,627,983	629,848,001

22.1 Listed

	Note	2008 Rupees	2007 Rupees
Face value		500,000,000	500,000,000
Less: Redeemed during the year		200,000	-
		499,800,000	500,000,000
Less: Current maturity	25	200,000	200,000
		499,600,000	499,800,000
Less: Redeemed - opening balance		(7,342,026)	(7,866,456)
Amortization for the year	36	1,573,296	524,430
		(5,768,730)	(7,342,026)
		493,831,270	492,457,974

These carry return payable semi-annually, at the rate of 6 months KIBOR plus 250 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. These are redeemable in 6 equal semi annual instalments commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Company. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).

JCR VIS Credit Rating Company Limited has assigned rating of "A+" (Single A Plus) with stable outlook to these TFCs.

22.2 Unlisted

	Note	2008 Rupees	2007 Rupees
Face value		275,000,000	275,000,000
Less: Redeemed - opening balance		46,016,657	165,000
Redeemed during the year		91,593,316	45,851,657
		137,609,973	46,016,657
Less: Current maturity	25	137,390,027	228,983,343
		91,593,316	91,593,316
		45,796,713	137,390,027

These represent unlisted Term Finance Certificates (TFCs) issued to institutional investors carrying a profit rate of 6 months KIBOR plus 275 bps, with a floor of 5% per annum and a ceiling of 10% per annum, payable semi annually. These are redeemable in 6 equal semi annual instalments commencing from 30th month and carry a call option exercisable after three years of the issue date. These are secured against hypothecation of Rs 367 million worth of present and future current assets of the Company. Face value of each certificate is Rs. 5,000,000.

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2008 Rupees	2007 Rupees
Obligation under finance lease	23.1	6,787,968	7,533,253
Less: Current maturity	25	847,633	744,719
		5,940,335	6,788,534

23.1 Particulars of liabilities against assets subject to finance lease.

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
Lease rentals payable	1,087,428	1,449,904	2,537,332	3,617,040
Add: Residual value	-	4,619,300	4,619,300	4,619,300
	1,087,428	6,069,204	7,156,632	8,236,340
Less: Future financial charges	239,795	128,869	368,664	703,087
Present value of minimum lease payments	847,633	5,940,335	6,787,968	7,533,253

23.2 The obligation represents the unpaid balance of the total minimum lease payments and the residual value payable at the end of the lease period. The facility carries mark-up at the rate of 6 months KIBOR plus 3% with a floor of 13%. Lease rentals are payable monthly. The Company has the option to purchase the asset upon the completion of the lease period and has the intention to exercise this option. There are no financial restrictions imposed by the lessor.

24 LONG TERM CERTIFICATES OF DEPOSIT

	Note	2008 Rupees	2007 Rupees
Long term certificates of deposit	24.1	355,483,960	362,656,941
Less: Current maturity	25	15,305,801	49,762,652
		340,178,159	312,894,289

24.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 7.50% to 13.50% per annum (2007: 6.60% to 13.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

25 CURRENT MATURITIES OF NON-CURRENT LIABILITIES

	Note	2008 Rupees	2007 Rupees
Term finance certificates - listed	22.1	200,000	200,000
Term finance certificates - unlisted	22.2	91,593,316	91,593,316
Liability against assets subject to finance lease	23	847,633	744,719
Long term certificates of deposit	24	15,305,801	49,762,652
		107,946,750	142,300,687

26 SHORT TERM BORROWINGS

	Note	2008 Rupees	2007 Rupees
Financial institutions			
Un-secured	26.1	1,890,000,000	995,000,000
Secured	26.2	455,000,000	750,000,000
		2,345,000,000	1,745,000,000

26.1 These carry mark-up ranging from 10.45% to 18.00% per annum (2007: 9% to 10.65% per annum) and are for a period ranging from 2 days to 6 months (2007: 4 days to 6 months).

26.2 These include borrowings under repurchase agreements amounting to Rs. 455 million (2007: Rs. 490 million) and carry mark-up ranging from 12.00% to 14.00% per annum (2007: 8.95% to 10.27% per annum) and are for a period ranging from 2 days to 3 months (2007: 1 month to 3 months). These are secured against pledge of PIBs.

27 RUNNING FINANCE-SECURED

The aggregate running finance facilities under mark-up arrangements from commercial banks amount to Rs. 2,175 million (2007: 1,375 million). These facilities carry mark-up at rates based on 1 and 3 months KIBOR plus a spread ranging from 1.00% to 2.50% per annum (2007: 1.50% to 2.50% per annum) with floor ranging from 7.50% to 12.50% per annum (2007: 10.00% to 12.50% per annum) except for one facility where there is no floor. These facilities are secured by pledge of listed securities.

28 SHORT TERM CERTIFICATES OF DEPOSIT

These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.50% to 16.50% per annum (2007: 6.75% to 12.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

29 TRADE AND OTHER PAYABLES

	2008 Rupees	2007 Rupees
Customers' credit balances	80,790,196	130,526,068
Accrued return on certificates of deposit	21,109,745	36,722,809
Accrued return on term finance certificates	22,839,700	25,374,028
Accrued mark-up on unsecured borrowings	25,673,733	8,562,123
Accrued mark-up on secured borrowings	21,612,860	10,862,194
Accrued expenses and other payables	10,770,729	11,323,721
Fair value adjustment - derivative financial instrument	2,191,690	3,795,090
Provision for compensated absences	7,308,660	6,159,479
Unearned income	592,050	820,050
Advance rent of lease finance	504,280	992,521
Unclaimed dividend	1,461,180	475,499
	194,854,823	235,613,582

30 PROVISION FOR TAXATION

The Company's assessments till Assessment Year 2002-03 have been finalized except that the Income Tax Department is in appeal before the Honourable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

- status of Company as "banking company" rather than "public limited company"; and
- taxability of "dividend income" as separate block of income.

Return for the Tax Year 2003 was filed and was selected for total audit. The Income Tax Department after the finalization of total audit for the tax year 2003, issued assessment order dated 29 June 2007. The Company, being aggrieved filed an appeal before CIT (Appeals) against the said assessment order on various disallowances amounting to Rs. 27 million. The appeal was decided in favour of the Company by CIT Appeals vide order dated 12 February, 2008.

Returns for the Tax Year 2004, 2005 and 2006 were filed and are selected for total audit. Return for tax year 2007 was filed declaring a taxable profit of Rs. 12,659,341. So far, this has not been selected for total audit nor any proceedings for amendment of assessment has been initiated by the Income tax department.

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

Guarantees

Outstanding guarantees as on balance sheet date were Rs. 87.940 million (2007: Rs. 111.940 million).

31.2 Commitments

	2008 Rupees	2007 Rupees
Future sale contract - Shares	1,504,130,820	1,347,984,510
Future purchase contract - Shares	75,430,895	108,829,800
Capital expenditure	1,300,000	1,300,000

32 PROFIT ON FINANCING

	2008 Rupees	2007 Rupees
Long term	15,141,123	12,042,136
Short term	34,133,399	43,017,960
	49,274,522	55,060,096

33 RETURN ON PLACEMENTS

	2008 Rupees	2007 Rupees
Clean placements	3,806,330	3,096,536
Placements under reverse repurchase agreements	239,239,801	379,655,128
	243,046,131	382,751,664

34 RETURN ON INVESTMENTS

	2008 Rupees	2007 Rupees
Mark-up / return on investments		
Held to maturity investments:		
Government securities	56,028,767	56,000,000
Term finance certificates	2,349,910	3,644,668
Available for sale investments:		
Term finance certificates	1,775,248	5,642,647
Dividend income		
Available for sale investments:		
Listed shares/units	6,784,404	6,020,559
Held for trading:		
Listed shares	133,049,394	115,823,381
Capital gain / (loss) on investments		
Available for sale investments	(44,375)	1,613,525
Held for trading	193,335,051	120,993,954
Gain on sale of Card and Rooms	32,245,000	-
	425,523,399	309,738,734

35 FEES AND COMMISSION

	2008 Rupees	2007 Rupees
Consultancy and corporate advisory	6,429,500	1,948,684
Brokerage commission	95,231,989	82,277,762
Guarantee commission	1,077,400	1,557,400
	102,738,889	85,783,846

36 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Note	2008 Rupees	2007 Rupees
Salaries, wages, other benefits and allowances	36.1	81,378,678	72,948,606
Staff training and welfare		400,272	472,822
Advertisement and business promotion		1,807,700	3,213,518
Rent, rates and taxes		17,959,493	14,498,302
Utilities		3,832,146	3,572,343
Communication charges		8,563,784	8,636,760
Travelling and vehicle maintenance		8,029,649	8,501,499
Repair and maintenance		4,292,811	3,740,096
Entertainment		4,081,196	3,642,721
Fee and subscriptions		2,575,482	2,828,368
Legal and professional charges	36.2	6,112,778	6,595,562
Printing and stationery		4,214,914	3,778,496
Fee, brokerage and commission		15,712,822	12,110,863
CDC and clearing charges		53,008,568	47,365,862
Insurance		3,513,376	3,029,211
Amortization of issuance cost of listed TFCs	22.2	1,573,296	524,430
Depreciation	4.1	18,641,830	18,353,613
Amortization of intangible assets	4.2	999,900	999,900
Loss on sale of fixed assets	4.3	3,749	835,200
Donation		-	100,000
Penalty		185,000	-
Staff motor vehicle contribution and insurance		1,145,560	397,665
Miscellaneous expenses		162,391	203,254
		238,195,395	216,349,091

36.1 This includes contribution to provident fund amounting to Rs. 3.52 million (2007: Rs. 3.08 million) made by the Company.

36.2 These include remuneration paid to the auditors as detailed below:

	2008 Rupees	2007 Rupees
Audit fee	370,000	200,000
Review of half yearly accounts	130,000	100,000
Certification and consultancy charges	303,500	80,000
Tax services	670,000	545,000
Out of pocket expenses	46,000	45,000
	1,519,500	970,000

37 TAXATION

	Note	2008 Rupees	2007 Rupees
Current taxation	37.1	10,380,972	17,598,801
Deferred taxation	12.1	(53,686,698)	(6,561,154)
		(43,305,726)	11,037,647

37.1 Current taxation

	2008 Rupees	2007 Rupees
Current year	10,380,972	15,857,114
Prior years	-	1,741,687
	10,380,972	17,598,801

In view of tax losses, tax charge for the year is based on with-holding tax deducted, which shall be deemed to be the final discharge of tax liability under the presumptive tax regime. Hence, the reconciliation between tax charge and accounting profit has not been given.

38 EARNINGS PER SHARE BASIC AND DILUTED

	2008	2007
Profit for the year after taxation (Rupees)	137,817,699	130,163,708
Number of ordinary shares	44,100,000	44,100,000
Earnings per share (Rupees)	3.13	2.95

38.1 No figure for diluted earnings per share has been computed as the Company has not issued any instrument which would dilute its earnings per share.

39 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of employment are as follows:

	2008 Rupees	2007 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	551,484	1,311,609
Guarantee commission earned	789,400	789,400
Profit paid on certificates of deposit	1,001,330	2,810,268
Chairman's secretariat expenses	3,600,000	3,600,000
Balance at year end		
Advances outstanding	3,589,346	3,560,139
Letter of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	10,195,003
Other receivable	801,010	83,825
Directors:		
Transactions during the year		
Return on finances received	475,736	281,533
Profit paid on certificates of deposit	28,360,172	20,238,935
Fixed assets sold	-	457,024
Balance at year end		
Certificates of deposit outstanding	205,650,000	200,550,000
Rent and other receivables	162,980	159,320
Executives:		
Transactions during the year		
Return on finances received	661,707	1,515,092
Profit paid on certificates of deposit	1,216,488	1,218,833
Fixed assets sold	-	513,628
Balance at year end		
Advances outstanding	11,038,194	23,816,100
Certificates of deposit outstanding	4,840,000	6,452,251
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	3,526,927	3,080,369
Subsidiary company:		
Transactions during the year		
Receivable from subsidiary company	1,911,800	-

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive		Directors		Executives	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Managerial remuneration	9,822,474	6,784,290	1,951,128	1,468,938	11,371,150	10,333,317
House rent allowance	-	943,902	2,686,200	2,267,574	4,548,480	4,133,331
Utilities	360,000	235,974	555,114	146,892	1,137,131	1,033,325
Bonus/commission	1,952,456	2,846,339	650,819	948,780	2,572,906	4,236,421
Leave encashment	-	-	-	-	222,221	738,471
Retirement benefits	982,248	678,427	-	-	981,652	1,004,333
	13,117,178	11,488,932	5,843,261	4,832,184	20,833,540	21,479,198
Number of persons	1	1	1	1	11	10

- i) In addition to above the Chief Executive, Executive Director and Executives were provided with use of Company maintained cars and reimbursement of medical expenses.
- ii) Fee of Rs. Nil (2007 : 8,000) was paid to Directors for attending the board and audit committee meetings.

41 LIQUIDITY RISKS

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The table below summarises the maturity profile of the Company's assets and liabilities:

Description	As at 30 June 2008			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
ASSETS				
Fixed assets	135,382,584	-	45,045,637	90,336,947
Cards and rooms	67,950,000	-	-	67,950,000
Investment in Subsidiary Company	175,004,000	-	-	175,004,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	72,271,597	16,340,191	55,931,406	-
Investments	2,138,192,059	1,581,817,708	455,229,742	101,144,609
Finances	281,673,392	260,236,944	11,362,726	10,073,722
Loan, advances, deposits, prepayments and other receivables	877,249,830	860,882,068	11,595,406	4,772,356
Placements	2,493,281,543	2,493,281,543	-	-
Cash and bank balances	179,941,667	179,941,667	-	-
	6,496,909,650	5,392,500,121	655,127,895	449,281,634

As at 30 June 2008				
Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	631,421,299	91,793,316	539,627,983	-
Liabilities against assets subject to finance lease	6,787,968	847,633	5,940,335	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-
Running finance under mark up arrangements	1,088,962,624	1,088,962,624	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-
Long term security deposit	25,789,464	-	25,789,464	-
Trade and other payables	194,854,823	194,854,823	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	5,648,592,525	4,737,056,584	911,535,941	-
NET ASSETS - 2008	848,317,125	655,443,537	(256,408,046)	449,281,634
Represented by:				
Share capital and reserves	851,850,425			
Deficit on revaluation of investments	(3,533,300)			
	848,317,125			

As at 30 June 2007				
Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
ASSETS				
Fixed assets	143,159,956	-	33,995,053	109,164,903
Cards and rooms	78,105,000	-	-	78,105,000
Deferred tax asset	22,276,280	-	22,276,280	-
Net investment in lease finance	64,949,664	11,188,368	53,761,296	-
Investments	1,881,272,770	1,312,110,378	410,586,496	158,575,896
Finances	351,637,024	312,185,232	28,833,623	10,618,169
Loan, advances, deposits, prepayments and other receivables	469,935,160	454,352,936	12,462,124	3,120,100
Placements	2,789,895,924	2,789,895,924	-	-
Cash and bank balances	133,428,181	133,428,181	-	-
	5,934,659,959	5,013,161,019	561,914,872	359,584,068
LIABILITIES				
Term finance certificates	721,641,317	91,793,316	629,848,001	-
Liabilities against assets subject to finance lease	7,533,253	744,719	6,788,534	-
Short term borrowings	1,745,000,000	1,745,000,000	-	-
Running finance under mark up arrangements	295,856,901	295,856,901	-	-
Certificates of deposit	2,081,408,292	1,768,514,003	312,894,289	-
Long term security deposit	18,473,051	-	18,473,051	-
Trade and other payables	235,613,582	235,613,582	-	-
Provision for taxation	31,040,878	31,040,878	-	-
	5,136,567,274	4,168,563,399	968,003,875	-
NET ASSETS - 2007	798,092,685	844,597,620	(406,089,003)	359,584,068
Represented by:				
Share capital and reserves	802,232,726			
Deficit on revaluation of investments	(4,140,041)			
	798,092,685			

42 CREDIT RISK AND CONCENTRATION OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

42.1 Segment Information

Class of business	Finances		Certificates of deposit		Letter of guarantee	
	2008 Percentage	2007 Percentage	2008 Percentage	2007 Percentage	2008 Percentage	2007 Percentage
Chemical and pharmaceuticals	12.31	15.49	-	-	-	-
Agribusiness	7.77	-	-	-	-	-
Textile	8.14	8.23	-	-	-	-
Sugar	13.28	13.43	-	-	-	-
Financial Institutions	-	-	52.83	53.22	-	-
Insurance	-	-	0.98	0.14	-	-
Electronics and electrical appliances	3.84	0.65	-	-	89.77	70.52
Production and transmission of energy	-	14.42	-	-	-	-
Individuals	33.95	38.99	38.54	32.81	10.23	29.48
Engineering and construction	15.31	-	-	-	-	-
Sports	-	-	0.75	0.90	-	-
Communications	1.82	-	-	-	-	-
Non-Government organizations	-	-	1.80	1.26	-	-
Others	3.58	8.79	5.10	11.67	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

42.2 Geographical Segment

These financial statements represent operations of the Company in Pakistan only.

43 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprise in a given period.

The Company's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

As at 30 June 2008					
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
FINANCIAL ASSETS					
Investments	2,138,192,060	20,647,753	455,229,742	101,144,609	1,561,169,956
Net investment in lease finance	46,482,133	16,340,191	30,141,942	-	-
Finances	281,673,392	260,236,944	11,362,726	10,073,722	-
Loan, advances, deposits, prepayments and other receivables	531,068,548	21,928,841	-	-	-
Placements	2,493,281,543	2,493,281,543	-	-	509,139,707
Cash and bank balances	179,941,667	176,998,344	-	-	-
	5,670,639,343	2,989,433,616	496,734,410	111,218,331	2,943,323
FINANCIAL LIABILITIES					2,073,252,986
Term finance certificates	631,421,299	91,793,316	539,627,983	-	-
Liabilities against assets subject to finance lease	2,168,668	847,633	1,321,035	-	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-	-
Running finance under mark-up arrangements	1,088,962,624	1,088,962,624	-	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-	-
Trade and other payables	193,758,493	91,236,038	-	-	-
	5,588,371,899	4,604,722,267	881,127,177	-	102,522,455
Total Interest rate sensitivity gap		(1,615,288,651)	(384,392,767)	111,218,331	102,522,455
Cumulative interest rate sensitivity gap		(1,615,288,651)	(1,999,681,418)	(1,888,463,087)	

As at 30 June 2007					
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
FINANCIAL ASSETS					
Investments	1,881,272,770	33,348,404	410,586,496	158,575,896	1,278,761,974
Net investment in lease finance	46,476,613	11,188,368	35,288,245	-	-
Finances	351,637,024	312,185,232	28,833,623	10,618,169	-
Loan, advances, deposits, prepayments and other receivables	210,418,305	16,949,652	-	-	193,468,653
Placements	2,789,895,924	2,789,895,924	-	-	-
Cash and bank balances	133,428,181	127,756,428	-	-	5,671,753
	5,413,128,817	3,291,324,008	474,708,364	169,194,065	1,477,902,380
FINANCIAL LIABILITIES					
Term finance certificates	721,641,317	91,793,316	629,848,001	-	-
Liabilities against assets subject to finance lease	2,913,953	744,719	2,169,234	-	-
Short term borrowings	1,745,000,000	1,745,000,000	-	-	-
Running finance under mark-up arrangements	295,856,901	295,856,901	-	-	-
Certificates of deposit	2,081,408,292	1,768,514,003	312,894,289	-	-
Trade and other payables	233,801,011	81,521,154	-	-	152,279,857
	5,080,621,474	3,983,430,093	944,911,524	-	152,279,857
Total Interest rate sensitivity gap		(692,106,085)	(470,203,160)	169,194,065	
Cumulative interest rate sensitivity gap		(692,106,085)	(1,162,309,245)	(993,115,180)	

Mark-up rates are mentioned in the respective notes to the accounts.

43.1 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The Company is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing NBFCs have been allowed different time limits for aligning themselves with different Capital requirements. The management of the Company is of the view that it will be able to meet its capital requirement by the end of 30 June, 2010 through its internally generated sources.

Additionally, the Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2008 and at 30 June 2007 were as follows:

	2008 Rupees	2007 Rupees
Total debt	911,535,941	968,003,875
Total equity	848,317,125	798,092,685
Debt-to-equity ratio	1.07	1.21

The decreases in the debt-to-equity ratio during 2008 resulted primarily from repayment of Term Finance Certificates during the year amounting to Rs. 90.22 million.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying value of financial assets and financial liabilities approximate their fair values as reflected in the financial statements.

45 FINANCIAL RELIEF AND PROVISION AGAINST NON PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is "Nil".

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 20th August 2008 by the Board of Directors of the Company.

47 DIVIDEND

The Board of Directors at their meeting held on 20th August 2008 have proposed a cash dividend @ 20 % i.e. Rs.2 per ordinary share, for the year ended 30 June 2008 for approval of the members at the Annual General Meeting to be held on 15th October 2008. The financial statements do not reflect this proposed dividend.

48 GENERAL

- i) Figures have been rounded off to the nearest rupee.
- ii) Previous year's figure for following has been rearranged, for the purpose of comparison:

Long term loans, deposits and prepayments were previously clubbed together, these have now been rearranged and shown as Rs. 2,636,526 for Long term loans and advances and Rs. 12,945,698 for Long term deposits and prepayments.



DIRECTOR



CHIEF EXECUTIVE OFFICER

CONSOLIDATED
FINANCIAL
STATEMENTS

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **ESCORTS INVESTMENT BANK LIMITED** ("the Company") and its subsidiary company (Escorts Capital Limited as the "Group") as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 June 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore: 20 August 2008

Consolidated Balance Sheet

As at 30 June 2008

ASSETS			2008 Rupees	2007 Rupees
	Note			
Non-current assets				
Fixed assets	5		135,382,584	143,159,956
Cards and rooms	6		84,105,000	78,105,000
Long term investments	7		556,374,351	569,162,392
Long term finances	8		21,436,448	39,451,792
Net investment in lease finance	9		55,931,406	53,761,296
Long term loans and advances	10		3,208,457	2,636,526
Long term deposits and prepayments	11		11,219,958	12,945,698
Deferred tax asset	12		75,962,978	22,276,280
Current Assets				
Current maturities of non-current assets	13		96,734,937	95,684,515
Short term investments	14		1,578,486,799	1,307,019,474
Short term finances	15		193,162,298	241,978,657
Short term placements	16		2,493,281,543	2,789,895,924
Advances, deposits, prepayments and other receivables	17		850,924,424	445,154,268
Cash and bank balances	18		306,541,667	133,428,181
			5,519,131,668	5,013,161,019
			6,462,752,850	5,934,659,959
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Share capital	19		441,000,000	441,000,000
Reserves	20		376,569,625	361,232,726
			817,569,625	802,232,726
Deficit on revaluation of investments	21		(3,533,300)	(4,140,041)
Non current liabilities				
Term finance certificates	22		539,627,983	629,848,001
Liabilities against assets subject to finance lease	23		5,940,335	6,788,534
Long term certificates of deposit	24		340,178,159	312,894,289
Long term security deposits			25,789,464	18,473,051
Current liabilities				
Current maturities of non current liabilities	25		107,946,750	142,300,687
Short term borrowings	26		2,345,000,000	1,745,000,000
Running finance-secured	27		1,088,962,624	295,856,901
Short term certificates of deposit	28		971,576,855	1,718,751,351
Trade and other payables	29		194,978,823	235,613,582
Provision for taxation	30		28,715,532	31,040,878
			4,737,180,584	4,168,563,399
Contingencies and commitments				
	31		6,462,752,850	5,934,659,959

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Consolidated Profit and Loss Account

For the year ended 30 June 2008

INCOME

	Note	2008 Rupees	2007 Rupees
Profit on financing	32	49,274,522	55,060,096
Mark-up on lease finance		8,262,052	4,938,098
Return on placements	33	243,046,131	382,751,664
Return on investments	34	393,278,399	309,738,734
Fees and commission	35	102,738,889	85,783,846
Other income		8,318,715	3,239,219
		804,918,708	841,511,657

EXPENSES

Return on certificates of deposit		156,781,872	206,277,882
Return on term finance certificates		81,642,925	58,868,250
Mark-up on short term running finance		42,785,795	44,278,766
Mark-up on borrowings from financial institutions		201,266,596	163,248,332
Amortization of premium on held to maturity investments		10,548,036	9,787,260
Administrative and other operating expenses	36	238,319,395	216,349,091
Impairment on available for sale investments		1,561,745	-
Other financial charges		2,646,627	817,025
		735,552,991	699,626,606
Operating profit before provisions and taxation		69,365,717	141,885,051
Provision for doubtful finances		9,134,544	683,696
Profit before taxation		60,231,173	141,201,355
Taxation	37	43,305,726	11,037,647
Profit after taxation		103,536,899	130,163,708
Earnings per share-basic and diluted	38	2.35	2.95

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Consolidated Cash flow statement

For the year ended 30 June 2008

	2008 Rupees	2007 Rupees
Cash flow from operating activities		
Profit before taxation	60,231,173	141,201,355
Adjustment for non cash expenses and other items:		
Dividend income	(139,833,798)	(121,843,940)
Depreciation of tangible assets	18,641,830	18,353,613
Amortization of intangible assets	999,900	999,900
Provision for doubtful finances	9,134,544	683,696
Amortization of premium on held to maturity investments	10,548,036	-
Amortization of issuance cost of listed TFCs	1,573,296	9,787,260
Loss on sale of fixed assets	3,749	524,430
Impairment on available for sale investments	1,561,744	835,200
	(97,370,699)	-
	(37,139,526)	(90,659,841)
(Increase)/decrease in operating assets		50,541,514
Repayments / (disbursements) of finances - net	60,829,088	
Net investment in lease finance	(493,760)	(9,588,206)
Investment in placements - net	296,614,381	(23,674,731)
Investments - net	(268,422,328)	(519,774,024)
Loans and advances	(317,854,849)	(439,636,821)
Deposits and prepayments	657,623	48,696,458
	(228,669,845)	(9,764,565)
		(953,741,889)
Increase/(decrease) in operating liabilities		
Borrowings from financial institutions	600,000,000	600,000,000
Receipts from certificates of deposit	(754,347,477)	601,255,471
Running finance facilities	793,105,723	(482,481,838)
Trade and other payables	(40,592,236)	(172,461,174)
	598,166,010	546,312,459
Net changes in operating assets and liabilities	369,496,165	(407,429,430)
Net cash generated from / (used in) operating activities before taxes	332,356,639	(356,887,916)
Taxes paid	(104,668,936)	(97,544,285)
Net cash generated from / (used in) operating activities	227,687,703	(454,432,201)
Cash flow from investing activities		
Fixed capital expenditure incurred	(14,080,282)	(28,957,704)

Consolidated Cash flow statement (contd.)

For the year ended 30 June 2008

	Note	2008 Rupees	2007 Rupees
Dividend received		143,586,772	119,890,786
Proceeds from sale of fixed assets		1,672,211	2,459,773
Investment in cards and rooms		(6,000,000)	(32,700,000)
Net cash generated from investing activities		125,178,701	60,692,855
Cash flow from financing activities			
Dividend paid		(87,214,319)	(88,183,169)
Proceeds from issuance of listed term finance certificates - net of initial transaction cost		-	492,133,544
Redemption of listed term finance certificates		(200,000)	-
Redemption of term finance certificates		(91,593,314)	(45,851,657)
Repayment of lease obligation		(745,285)	(651,213)
Net cash (used in) / generated from financing activities		(179,752,918)	357,447,505
Net increase / (decrease) in cash and cash equivalents		173,113,486	(36,291,841)
Cash and cash equivalents at the beginning of the year		133,428,181	169,720,022
Cash and cash equivalents at the end of the year	18	306,541,667	133,428,181

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Share capital Rupees	Statutory reserve Rupees	Un- appropriated profit Rupees	Total Rupees
Balance as at 01 July 2006	441,000,000	100,453,803	218,815,215	760,269,018
Net profit for the year	-	-	130,163,708	130,163,708
Transfer to statutory reserve	-	26,032,742	(26,032,742)	-
Final dividend for 2006 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2007	441,000,000	126,486,545	234,746,181	802,232,726
Net profit for the year	-	-	103,536,899	103,536,899
Transfer to statutory reserve	-	20,707,380	(20,707,380)	-
Final dividend for 2007 paid @ 20% (Rs. 2 per share)	-	-	(88,200,000)	(88,200,000)
Balance as at 30 June 2008	441,000,000	147,193,925	229,375,700	817,569,625

The annexed notes 1 to 48 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

Escorts Investment Bank Limited and its subsidiary company ("The Group") comprises of holding Company Escorts Investment Bank Limited (EIBL) and a wholly owned Subsidiary company Escorts Capital Limited ("ESCAP").

EIBL ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company was incorporated in Pakistan on 15 May 1995 and started its commercial operation on 16 October 1996. The Company is listed on the Karachi and Lahore stock exchanges. Escorts Investment Bank Limited is licensed to carry out investment finance services and leasing business as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003. The registered office of the Company is situated at Escorts House, 26 Davis Road, Lahore.

ESCAP ("the Subsidiary") was incorporated as a public limited company in Pakistan on 5 June 2008 under the Companies Ordinance, 1984 and became a wholly owned subsidiary company of EIBL in June 2008. The subsidiary is principally engaged in brokerage business. The registered office of the subsidiary is situated at Escorts House, 26 Davis Road, Lahore.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984, except for the disclosure requirements of Clause 3C of Part II of the Fourth Schedule to the Companies Ordinance, 1984 in respect of which the SECP has given exemption to all NBFCs vide their letter No.SC/NBFC/-1/R/2005, dated 29 August 2005, and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives takes precedence.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated 13 August 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

Standards, interpretations and amendments to published approved accounting standards that are yet not effective

Certain amendments to IAS 23 "Borrowing Costs" has been revised and is effective for the Group's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Group's financial statements.

Other Standards, interpretations and amendments to published approved accounting standards are not relevant to the Group.

2.2 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments

about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets
- Taxation
- Impairment
- Provisions and contingencies

3. BASIS OF CONSOLIDATION

The consolidated financial statements includes the financial statements of Escorts Investment Bank Limited and its wholly owned subsidiary "Escorts Capital Limited".

The financial statements of subsidiary company have been consolidated on line by line basis and carrying value of investment held by the parent company is eliminated against the subsidiary's shareholder's equity in the consolidated financial statements. Intra-group balances, transactions, income and expenses have also been eliminated. Unrealised gains arising on intra-group transactions recognized in assets are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except held for trading and available for sale investments, which have been recognized at fair values.

4.2 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except for capital work in progress which is stated at cost. Depreciation is charged using "straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Building	5
Free-hold improvements	20
Lease-hold improvements	20
Furniture and fittings	10
Computer equipments	33
Office equipments	10
Vehicles	20

Full month's depreciation is charged on additions during the month in which asset is available for use, while no depreciation is charged in the month in which asset is disposed off.

Minor repair and renewals are charged to income as and when incurred.

Major renewals and improvements are capitalized

The gain or loss on disposal or retirement of an asset, represented by the difference between sale proceeds and the carrying amount of the asset, is included in income currently.

Fully depreciated assets are being kept at a token value of Rs. 1/- each.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is recorded when these assets are available for use, using straight line method whereby the cost of an intangible asset is amortized over its estimated useful life at the following rate:

	Rate in %
Computer software	33

4.3 Assets subject to finance lease

The Group accounts for assets acquired under finance lease by recording the assets and related liabilities at the lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. Financial charges relating to leased assets are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged using "straight line method" at the rates specified in note 3.2.

4.4 Cards and rooms

These are stated at cost less impairments, if any. The carrying amounts are reviewed at each balance sheet date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amount, these are written down to their estimated recoverable amount.

4.5 Investments

Held to maturity

Investments with fixed maturity where management has both the intent and ability to hold till maturity are classified as held to maturity.

Available for sale

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Held for trading

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as held for trading.

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of circulars issued by State Bank of Pakistan, investments Held for trading and investments Available for sale investments for which active market exists, are measured at their market value while Held to maturity investments are stated at amortized cost using the effective interest rate method less impairment, if any.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date that the Group commits to purchase/sell the asset.

Any surplus or deficit on revaluation of Held for trading investments are charged to income currently, while in case of available for sale investments, the resulting surplus/(deficit) is kept in a separate account and is shown in the balance sheet below the shareholders' equity as surplus/(deficit) on revaluation of investments. At the time of disposal the respective surplus or deficit is transferred to income currently. Amortization cost is charged to the profit and loss account.

4.6 Securities under repurchase/reverse repurchase agreements

Transactions of repurchase/reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings from banks/ NBFCs. The difference between sale and repurchase price is treated as mark-up on borrowings from banks/ NBFCs and accrued over the life of the repo agreement.

Reverse repurchase agreements

Investments purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions or income from reverse repurchase transactions of listed shares, as the case may be, and accrued over the life of the reverse repo agreement.

4.7 Net investment in lease finance

Leases where all the risks and rewards incidental to ownership of the asset are substantially transferred to the lessee are classified as finance leases. Net investment in lease finance is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and deposit accounts.

4.9 Financial instruments

Financial assets

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivable from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include redeemable capital, certificates of deposit, borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Derivatives

Derivative instruments held by the Group comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivatives is equivalent to the unrealised gain or loss from marking the derivatives using prevailing market rates at the balance sheet date. The unrealised gains are included in other assets while unrealised losses are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss.

Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has legally enforceable right to set-off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.10 Provisions

Provisions are recorded when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.11 Staff retirement benefits

Employees compensated absences

Liability for accumulated compensated absences of employees is accounted for in the period in which these absences are earned.

Provident fund

The Group operates approved contributory provident fund for all permanent employees. Equal monthly contribution is made both by employees and the Group to the fund at 10% of basic salary. The fund is administered by the Trustees.

4.12 Revenue recognition

Return on finances provided, leasing, placements, government securities and term finance certificates are recognized on time proportionate basis.

Mark-up on lease finance is recognised using the finance method. Under this method, the unearned lease income, i.e. the excess of aggregate lease rentals and the residual value over the cost of leased asset, is deferred and taken to income so as to produce a constant periodic rate of return on the outstanding net investment in lease finance. Processing fee, documentation charges and other lease related income are taken to income currently.

Brokerage commission and other advisory fee are recognized when such services are provided.

Guarantee commission is received in advance, and deferred over the guarantee period.

Consultancy and corporate advisory fee income is recognized using percentage of completion method.

Dividend income is recognized when the right to receive payment is established.

4.13 Return on deposits and borrowings

Return on Certificates of Deposit (CODs) and borrowings are recognized on a time proportionate basis taking into account the relevant issue date and final maturity date.

4.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any.

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

4.15 Related party transactions

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

4.16 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.17 Dividend distributions and appropriations

Dividend distribution and appropriations other than statutory appropriations are recorded in the period in which they are approved.

5. FIXED ASSETS

	Note	2008 Rupees	2007 Rupees
Property and equipment	5.1	133,415,684	123,456,705
Intangible assets	5.2	666,900	1,666,800
		134,082,584	125,123,505
Capital work in progress			
Advance - Tangible		-	16,736,451
Advance - Intangible		1,300,000	1,300,000
		1,300,000	18,036,451
		135,382,584	143,159,956

5.1 Property and equipment

	Cost			Depreciation			Net book Value	
	As at 01 July 2007 Rupees	Additions / (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees	As at 30 June 2008 Rupees
Owned								
Building	89,692,600	-	89,692,600	9,342,979	4,484,630	-	13,827,609	75,864,991
Lease-hold improvements	8,635,513	11,822,077	20,457,590	4,883,749	2,100,335	-	6,984,084	13,473,506
Free-hold improvements	-	6,712,240	6,712,240	-	335,612	-	335,612	6,376,628
Furniture and fittings	4,538,008	2,498,657	7,036,665	1,343,997	472,272	-	1,816,269	5,220,396
Computer equipments	15,042,127	1,830,974	16,873,101	10,039,131	3,400,285	-	13,439,416	3,433,685
Office equipments	11,163,647	1,473,403	12,637,050	2,278,827	1,106,663	-	3,385,490	9,251,560
Vehicles	29,501,717	5,939,418 (3,546,955)	31,894,180	13,073,219	4,943,573	(1,870,995)	16,145,797	15,748,383
	158,573,612	30,276,769 (3,546,955)	185,303,426	40,961,902	16,843,370	(1,870,995)	55,934,277	129,369,149
Leased								
Vehicles	8,992,300	-	8,992,300	3,147,305	1,798,460	-	4,945,765	4,046,535
2008	167,565,912	26,729,814	194,295,726	44,109,207	18,641,830	(1,870,995)	60,880,042	133,415,684
2007	164,303,096	3,262,816	167,565,912	30,659,022	18,353,613	(4,903,428)	44,109,207	123,456,705

5.2 Intangible assets

	Cost			Amortization			Net book Value	
	As at 01 July 2007 Rupees	Additions (disposals) Rupees	As at 30 June 2008 Rupees	As at 01 July 2007 Rupees	For the year Rupees	(Disposals) Rupees	As at 30 June 2008 Rupees	As at 30 June 2008 Rupees
Computer software	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100	666,900
2008	3,000,000	-	3,000,000	1,333,200	999,900	-	2,333,100	666,900
2007	3,000,000	-	3,000,000	333,300	999,900	-	1,333,200	1,666,800

5.3 Following assets having book value above Rs. 50,000 were disposed off during the year

	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain/(loss) Rupees	Mode of Disposal	Particulars
Vehicles	1,134,485	(680,691)	453,794	453,794	-	Group Policy	Mr. Naeem Khan, Ex - Employee
	1,127,500	(714,083)	413,417	413,417	-	Group Policy	Mr. Jawad Akhter, Head of CMD
	543,180	(117,689)	425,491	425,000	(491)	Negotiations	Sold to Mr. Bilal Akram
	741,790	(358,532)	383,258	380,000	(3,258)	Negotiations	Sold to Mr. Zubair
Total	3,546,955	(1,870,995)	1,675,960	1,672,211	(3,749)		

6. CARDS AND ROOMS

	2008 Rupees	2007 Rupees
Corporate membership of Karachi stock exchange	35,250,000	35,250,000
Corporate membership of Lahore stock exchange	16,155,000	7,170,000
Rooms	32,700,000	35,685,000
	84,105,000	78,105,000

7. LONG TERM INVESTMENT

	Note	2008 Rupees	2007 Rupees
Held to maturity			
Pakistan Investment Bonds	7.1	548,446,169	558,994,205
Term finance certificates - unlisted	7.2	11,259,091	15,259,091
		559,705,260	574,253,296
Less: Current maturity of term finance certificates	13	3,330,909	5,090,904
		556,374,351	569,162,392

7.1 Pakistan Investment Bonds

	2008 Rupees	2007 Rupees
Cost	606,221,300	606,221,300
Less: Amortization - opening	27,227,095	17,439,835
Charge for the year	10,548,036	9,787,260
	568,446,169	578,994,205
Less: Impairment loss	20,000,000	20,000,000
	548,446,169	558,994,205

This represents investment in 10 and 20 year bonds issued by the Government of Pakistan. Periods to maturity of these investments range from 4.5 years to 17 years and carry mark-up at rates (coupon rate) ranging from 10% to 12% per annum (2007: 10% to 12% per annum). These investments are held by other financial institutions as security under repurchase transactions.

7.2 Term finance certificates-Unlisted

Name	Redemption terms	2008 Rupees	2007 Rupees
New Khan Transport Company (Private) Limited	This has been rescheduled in previous year and is payable in unequal monthly installments ending December 2009 along with mark-up. The rate of return is 450 bps above 6 months KIBOR with floor of 8.25%.	11,259,091	15,259,091

8. LONG TERM FINANCES

	Note	2008 Rupees	2007 Rupees
Related parties-Secured and considered good			
Associated companies	8.1	2,232,740	1,887,841
Executives	8.2	10,632,026	21,829,382
		12,864,766	23,717,223
Others - Secured and considered good			
	8.3	69,898,706	57,407,612
		82,763,472	81,124,835
Considered doubtful			
Others	8.4	37,887,301	53,475,830
Less: Provision for doubtful finances	8.5	32,139,679	24,942,298
		5,747,622	28,533,532
		88,511,094	109,658,367
Less: Current maturity	13	67,074,646	70,206,575
		21,436,448	39,451,792

8.1 Associated companies

These represent finance provided against hypothecation of vehicles for period ranging from 3 years to 5 years, carrying mark-up rate ranging from 14% to 17% per annum. (2007: 14% per annum).

The maximum balance outstanding at the end of any month during the year was:

	2008 Rupees	2007 Rupees
Escorts Pakistan Limited	1,737,351	2,213,592
Essem Hotel Limited	495,389	800,775

8.2 Executives

These represent finance provided to the Chief Executive Officer (CEO) and Executives against mortgage of properties and hypothecation of vehicles in accordance with the terms of employment for period ranging from 5 years to 15 years and carry mark-up ranging from 6% to 17% (2007: 3% to 12% per annum).

	CEO Rupee	Executives Rupee	2008 Rupees	2007 Rupees
Opening Balance	9,500,864	12,328,518	21,829,382	15,437,622
Add: Employees promoted to executive category	-	-	-	1,010,250
Disbursements made during the year	-	-	-	10,421,866
	9,500,864	12,328,518	21,829,382	26,869,738
Less: Repayments during the year	465,369	10,731,987	11,197,356	5,040,356
	9,035,495	1,596,531	10,632,026	21,829,382

The finance provided to the CEO represents house finance against mortgage of property with 20% margin. This facility carries mark-up at the rate of 6% per annum, payable on monthly basis. One fourth (25%) of the principal amount is payable at maturity while the remaining balance is payable in unequal monthly instalments. The remaining period of this facility is four years and six months.

	2008 Rupees	2007 Rupees
The maximum balance outstanding at the end of any month during the year.	21,817,160	21,990,865

8.3 These finance facilities are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks for a period up to 5.5 years. The expected rate of return ranges from 9% to 20.15% per annum (2007: 9% to 17% per annum).

8.4 These represent finance facilities which have been classified under non-performing status detailed below:

	2008 Rupees	2007 Rupees
Other assets especially mentioned	-	12,207,787
Substandard	-	8,074,610
Doubtful	-	1,053,754
Loss	37,887,301	32,139,679
	37,887,301	53,475,830

8.5 Particulars of provision for doubtful finances

	2008 Rupees	2007 Rupees
Opening balance	24,942,298	24,142,402
Charge for the year	7,197,381	799,896
Closing balance	32,139,679	24,942,298

9 NET INVESTMENT IN LEASE FINANCE

	Note	2008 Rupees	2007 Rupees
Net investment in lease finance	9.1	72,271,597	64,949,664
Less: Current maturity	13	16,340,191	11,188,368
		55,931,406	53,761,296

9.1 Particulars of net investment in lease finance

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
Leased rentals receivable	23,826,807	36,279,551	60,106,358	61,376,814
Add: Residual value	-	25,789,465	25,789,465	18,473,051
Gross investment in lease finance	23,826,807	62,069,016	85,895,823	79,849,865
Less: Unearned finance income	7,486,616	6,137,610	13,624,226	14,900,201
Net investment in lease finance	16,340,191	55,931,406	72,271,597	64,949,664

9.2 The leases made by the Group are for a period ranging from three years to five years. Security deposits obtained at the time of disbursement of lease facility range from 10% to 61.53% (2007 : 10% to 61.53%). Leased assets are insured in favour of the Group. The rate of return ranges from 11.36% to 17 % per annum (2007 : 11.36% to 17 % per annum). Penalty is charged in case of delayed payments.

9.3 As per the Prudential Regulations for Non-Banking Finance Companies, the aggregate net exposure in finance leases against which income suspension is required amounts to Rs. 0.847 million (2007 : 5.580 million) at the end of current year.

10 LONG TERM LOANS AND ADVANCES

	Note	2008 Rupees	2007 Rupees
Loan to staff-unsecured, considered good			
Executives - related parties	10.1	2,105,599	2,500,269
Other employees		3,046,205	2,357,198
		5,151,804	4,857,467
Less: Current maturity	13	1,943,347	2,220,941
		3,208,457	2,636,526

10.1 These represent interest free loans to staff for a period of 3 years and are repayable in equal monthly instalment, in accordance with the Group's policy for staff loans.

	2008 Rupees	2007 Rupees
Opening balance	2,500,269	2,915,297
Add: Employees promoted to executive category	-	165,000
Disbursements during the year	1,671,875	2,492,228
Less: Repayments during the year	2,066,545	3,072,256
Closing balance	2,105,599	2,500,269
The maximum balance outstanding from executives at the end of any month during the year was	2,443,729	2,556,809

11 LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2008 Rupees	2007 Rupees
Security deposits		7,448,309	7,739,400
Prepayments		11,813,493	12,184,025
		19,261,802	19,923,425
Less: Current maturity	13	8,045,844	6,977,727
		11,215,958	12,945,698

Other particulars of listed TFCs are as follows:

Particulars	Certificate denomination	Profit rate per annum	Profit payments	Maturity date
Oil and Gas Exploration Companies				
Naimat Basal Oil and Gas Securitization Company	5,000	2.50% over 6 months KIBOR with 7.50% p.a. as floor and 13.00% p.a. as ceiling.	Monthly	12 April 2010
Investment Companies and Banks		1.90 % over 6 months KIBOR		
ABN AMRO Bank Pakistan Ltd.	5,000		Semi annually	9 March 2014
Leasing				
AlZamin Leasing Modaraba - I	5,000	Musharika based with minimum expected profit of 8.00% p.a.	Semi annually	24 December 2008
AlZamin Leasing Modaraba - II	5,000	Musharika based with minimum expected profit of 9.50% p.a.	Semi annually	1 June 2010

14.2 Particulars of listed shares / units - Available for sale investments

All shares/units have face value of Rs. 10 each, except for Atlas Islamic Fund (Rs. 500 each), Askari Asset Allocation Fund and HBL Income Fund (Rs. 100 each).

No. of Certificates/units		Name	2008		2007	
2008	2007		Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
Mutual Fund - Open End						
10,298	10,000	Atlas Islamic Fund	5,000,000	5,193,759	5,000,000	5,098,500
50,000	50,000	HBL Income Fund	5,000,000	5,122,500	5,000,000	5,136,000
49,907	-	Askari Asset Allocation Fund	5,000,000	4,413,308	-	-
Mutual Fund - Close End						
1,377,000	1,377,000	UTP - Large Capital Fund	13,509,237	11,580,570	13,509,237	11,635,650
1,008,500	708,500	Pakistan Strategic Allocation Fund	10,143,291	9,288,285	7,085,000	7,439,250
45	40	Dawood Capital Management Fund	281	1,256	281	420
21,800	21,800	PICIC Growth Fund	752,500	518,186	752,500	736,840
747,500	-	Pak Premier Fund	10,398,622	9,994,075	-	-
Textile Spinning						
326	30,326	Dewan Farooq Spinning Mills Limited	3,260	2,833	303,260	271,418
Power Generation and Distribution						
147,500	147,500	Southern Electric Power Company Limited	2,350,876	789,125	2,350,876	966,125
			52,158,067	46,903,897	34,001,154	31,284,203

14.3 Particulars of listed shares - Held for trading investments

Investment in ordinary shares of Rs. 10 each of the following companies:

No. of Shares		Name	2008		2007	
			Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees
7,546	25,600	Commercial Banks				
-	15,500	National Bank of Pakistan	1,637,580	1,113,035	6,136,106	6,565,720
-	-	Allied Bank Limited	-	-	1,706,170	2,153,719
-	250	Standard Chartered Bank Pakistan Limited	-	-	131	13,237
		Insurance				
30,000	-	Adamjee Insurance Company Ltd.	8,154,346	8,121,600	-	-
7,500	-	EFU General Insurance Company Ltd.	2,568,655	2,706,450	-	-
		Fertilizer				
55,700	-	Fauji Fertilizer Company Ltd.	7,242,359	7,370,224	-	-
		Investment Company				
51,500	-	Jahangir Siddique & Company Ltd.	26,852,479	27,302,725	-	-
		Oil and Gas Marketing Company				
100,000	-	Pakistan State Oil Limited	44,399,809	41,724,000	-	-
		Oil and Gas Exploration Companies				
27	200,227	Oil and Gas Development Company Limited	3,200	3,358	24,055,098	23,987,195
37,100	13,000	Pakistan Oilfields Limited	14,176,746	13,535,564	4,498,011	4,121,000
44,600	-	Pakistan Petroleum Limited	11,460,518	10,971,154	-	-
			116,495,692	112,848,110	36,395,516	36,840,871
		Value of shares sold in futures markets (Note 14.3.1)	1,410,680,217	1,401,417,949	1,224,107,132	1,210,636,900
			1,527,175,909	1,514,266,059	1,260,502,648	1,247,477,771

14.3.1 These represent investment in shares sold in futures market with settlement dates subsequent to the year end.

15 SHORT TERM FINANCES

	Note	2008 Rupees	2007 Rupees
Secured and considered good	15.1		
Executives		-	450,000
Others		176,922,661	220,765,244
Considered doubtful			
Others	15.2	33,113,834	35,700,447
Less: Provision for doubtful finances	15.3	16,874,197	14,937,034
		16,239,637	20,763,413
		193,162,298	241,978,657

15.1 These are secured by hypothecation of or charge on assets, mortgage of property, lien over bank deposits and pledge of stocks. The expected rate of return ranges from 11.5% to 19.65% per annum (2007: 12.5% to 16% per annum). These include finances against pledge of listed shares and Bank's own Certificates of Deposit amounting to Rs. 26.950 million (2007: Rs.25.700 million), while Rs. 129.618 million (2007: Rs. 194.664 million) were disbursed as Margin Finance in accordance with Margin Trading Rules, 2004 issued by Securities and Exchange Commission of Pakistan.

15.2 These finance facilities include Rs. 33.113 million (2007: Rs. 35.700 million) which have been placed under non-performing status detailed below:

	2008 Rupees	2007 Rupees
Substandard	-	21,932,613
Loss	33,113,834	13,767,834
	33,113,834	35,700,447

15.3 Particulars of provision for doubtful finances:

	2008 Rupees	2007 Rupees
Opening balance	14,937,034	15,053,234
Charge for the year	1,937,163	(116,200)
Closing balance	16,874,197	14,937,034

16 SHORT TERM PLACEMENTS

	Note	2008 Rupees	2007 Rupees
Considered good			
Unsecured	16.1	318,000,000	20,000,000
Secured under reverse repurchase agreements	16.2	2,175,281,543	2,769,895,924
		2,493,281,543	2,789,895,924

16.1 This represents clean placement with financial institution and carry mark-up at 11% (2007: 11% per annum).

16.2 Securities held as collateral - Market value

	2008 Rupees	2007 Rupees
Quoted shares	2,097,016,739	2,784,646,205

These represent secured placements for a maximum period of up to 30 days and carry mark-up ranging from 10.20% to 17.19% per annum (2007: 11.42% to 19.83% per annum).

17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2008 Rupees	2007 Rupees
Advances - considered good		570,936	861,657
Advance income tax		303,965,182	210,695,692
Income tax refundable		19,444,153	20,751,025
Advance for purchase of units - open end mutual fund		-	5,000,000
Deposits against exposure limits		13,296,868	2,772,869
Prepayments		3,856,418	3,125,403
Receivable from National Clearing Company Pakistan Limited (NCCPL) and stock exchanges		395,456,699	70,863,161
Accrued mark-up		21,928,841	16,949,652
Dividend receivable		12,965,480	16,718,454
Receivable from clients	17.1	75,221,128	93,362,205
Overdue lease rental		-	2,279,753
Other receivables		4,218,719	1,774,397
		850,924,424	445,154,268

17.1 Receivable from clients

	2008 Rupees	2007 Rupees
Considered good	74,682,719	92,823,796
Considered doubtful	20,091,894	20,091,894
Less: Provision for doubtful receivables	19,553,485	19,553,485
	538,409	538,409
	75,221,128	93,362,205

18 CASH AND BANK BALANCES

	Note	2008 Rupees	2007 Rupees
Cash in hand		148,245	-
Cash with banks			
Current account with:			
State Bank of Pakistan		757,813	518,916
Others		128,637,265	5,152,837
		129,395,078	5,671,753
Deposit accounts	18.1	176,998,344	127,756,428
		306,541,667	133,428,181

18.1 Rate of return on these accounts ranges from 0.57% to 6.04% per annum (2007: 1.00% to 8% per annum).

19 SHARE CAPITAL

	2008 Rupees	2007 Rupees
Authorized share capital		
50,000,000 (2007: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up capital		
42,000,000 (2007: 42,000,000) ordinary shares of Rs. 10 each	420,000,000	420,000,000
2,100,000 (2007: 2,100,000) ordinary shares of Rs. 10 each issued as bonus shares	21,000,000	21,000,000
	441,000,000	441,000,000

Essem Power (Private) Limited, an associated company, holds 39.01% (2007: 39.01%) ordinary shares in EIBL.

20 RESERVES

	Note	2008 Rupees	2007 Rupees
Capital reserve			
statutory reserve	20.1	147,193,925	126,486,545
Revenue reserve			
unappropriated profits		229,375,700	234,746,181
		376,569,625	361,232,726

20.1 This represents special reserve created in compliance with Rule 2 of Part III of Prudential Regulations for Non-Banking Finance Companies issued by Securities and Exchange Commission of Pakistan.

21 DEFICIT ON REVALUATION OF INVESTMENTS

	2008 Rupees	2007 Rupees
Available for sale		
Listed term finance certificates	159,179	(1,423,089)
Listed shares/units	(3,692,479)	(2,716,952)
	(3,533,300)	(4,140,041)

22 TERM FINANCE CERTIFICATES

	Note	2008 Rupees	2007 Rupees
Listed	22.1	493,831,270	492,457,974
Unlisted	22.2	45,796,713	137,390,027
		539,627,983	629,848,001

22.1 Listed

	Note	2008 Rupees	2007 Rupees
Face value		500,000,000	500,000,000
Less: Redeemed during the year		200,000	-
		499,800,000	500,000,000
Less: Current maturity	25	200,000	200,000
		499,600,000	499,800,000
Less: Redeemed - opening balance		(7,342,026)	(7,866,456)
Amortization for the year	36	1,573,296	524,430
		(5,768,730)	(7,342,026)
		493,831,270	492,457,974

These carry return payable semi-annually, at the rate of 6 months KIBOR plus 250 bps per annum with a floor of 8% per annum and ceiling of 17% per annum for the first two years and a ceiling of 18% for the remaining period. These are redeemable in 6 equal semi annual instalments commencing from 30th month and carry call option exercisable after 2 years of the issue date. These are secured against hypothecation of Rs. 667 million worth of present and future assets of the Group. These TFCs are listed at Lahore Stock Exchange (Guarantee) Limited (LSE).

JCR VIS Credit Rating Company Limited has assigned rating of "A+" (Single A Plus) with stable outlook to these TFCs.

22.2 Unlisted

	Note	2008 Rupees	2007 Rupees
Face value		275,000,000	275,000,000
Less: Redeemed - opening balance		46,016,657	165,000
Redeemed during the year		91,593,316	45,851,657
		137,609,973	46,016,657
		137,390,027	228,983,343
Less: Current maturity	25	91,593,316	91,593,316
		45,796,713	137,390,027

These represent unlisted Term Finance Certificates (TFCs) issued to institutional investors carrying a profit rate of 6 months KIBOR plus 275 bps, with a floor of 5% per annum and a ceiling of 10% per annum, payable semi annually. These are redeemable in 6 equal semi annual instalments commencing from 30th month and carry a call option exercisable after three years of the issue date. These are secured against hypothecation of Rs 367 million worth of present and future current assets of the Group. Face value of each certificate is Rs. 5,000,000.

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2008 Rupees	2007 Rupees
Obligation under finance lease	23.1	6,787,968	7,533,253
Less: Current maturity	25	847,633	744,719
		5,940,335	6,788,534

23.1 Particulars of liabilities against assets subject to finance lease.

	2008			2007
	Not later than one year	Later than one year but not later than five years	Total	Total
Lease rentals payable	1,087,428	1,449,904	2,537,332	3,617,040
Add: Residual value	-	4,619,300	4,619,300	4,619,300
	1,087,428	6,069,204	7,156,632	8,236,340
Less: Future financial charges	239,795	128,869	368,664	703,087
Present value of minimum lease payments	847,633	5,940,335	6,787,968	7,533,253

23.2 The obligation represents the unpaid balance of the total minimum lease payments and the residual value payable at the end of the lease period. The facility carries mark-up at the rate of 6 months KIBOR plus 3% with a floor of 13%. Lease rentals are payable monthly. The Group has the option to purchase the asset upon the completion of the lease period and has the intention to exercise this option. There are no financial restrictions imposed by the lessor.

24 LONG TERM CERTIFICATES OF DEPOSIT

	Note	2008 Rupees	2007 Rupees
Long term certificates of deposit	24.1	355,483,960	362,656,941
Less: Current maturity	25	15,305,801	49,762,652
		340,178,159	312,894,289

24.1 These have been issued for term ranging from over 1 year to 5 years and expected return on these certificates ranges from 7.50% to 13.50% per annum (2007: 6.60% to 13.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

25 CURRENT MATURITIES OF NON-CURRENT LIABILITIES

	Note	2008 Rupees	2007 Rupees
Term finance certificates - listed	22.1	200,000	200,000
Term finance certificates - unlisted	22.2	91,593,316	91,593,316
Liability against assets subject to finance lease	23	847,633	744,719
Long term certificates of deposit	24	15,305,801	49,762,652
		107,946,750	142,300,687

26 SHORT TERM BORROWINGS

	Note	2008 Rupees	2007 Rupees
Financial institutions			
Un-secured	26.1	1,890,000,000	995,000,000
Secured	26.2	455,000,000	750,000,000
		2,345,000,000	1,745,000,000

26.1 These carry mark-up ranging from 10.45% to 18.00% per annum (2007: 9% to 10.65% per annum) and are for a period ranging from 2 days to 6 months (2007: 4 days to 6 months).

26.2 These include borrowings under repurchase agreements amounting to Rs. 455 million (2007: Rs. 490 million) and carry mark-up ranging from 12.00% to 14.00% per annum (2007: 8.95% to 10.27% per annum) and are for a period ranging from 2 days to 3 months (2007: 1 month to 3 months). These are secured against pledge of PIBs.

27 RUNNING FINANCE-SECURED

The aggregate running finance facilities under mark-up arrangements from commercial banks amount to Rs. 2,175 million (2007: 1,375 million). These facilities carry mark-up at rates based on 1 and 3 months KIBOR plus a spread ranging from 1.00% to 2.50% per annum (2007: 1.50% to 2.50% per annum) with floor ranging from 7.50% to 12.50% per annum (2007: 10.00% to 12.50% per annum) except for one facility where there is no floor. These facilities are secured by pledge of listed securities.

28 SHORT TERM CERTIFICATES OF DEPOSIT

These have been issued for terms ranging from 1 month to 1 year and expected rate of return on these certificates ranges from 6.50% to 16.50% per annum (2007: 6.75% to 12.50% per annum) payable monthly, quarterly, semi-annually or on maturity.

29 TRADE AND OTHER PAYABLES

	2008 Rupees	2007 Rupees
Customers' credit balances	80,790,196	130,526,068
Accrued return on certificates of deposit	21,109,745	36,722,809
Accrued return on term finance certificates	22,839,700	25,374,028
Accrued mark-up on unsecured borrowings	25,673,733	8,562,123
Accrued mark-up on secured borrowings	21,612,860	10,862,194
Accrued expenses and other payables	10,894,729	11,323,721
Fair value adjustment - derivative financial instrument	2,191,690	3,795,090
Provision for compensated absences	7,308,660	6,159,479
Unearned income	592,050	820,050
Advance rent of lease finance	504,280	992,521
Unclaimed dividend	1,461,180	475,499
	194,978,823	235,613,582

30 PROVISION FOR TAXATION

EIBL's assessments till Assessment Year 2002-03 have been finalized except that the Income Tax Department is in appeal before the Honourable Lahore High Court for Assessment Years 1997-98 and 1998-99 on following issues:

- i) status of EIBL as "banking company" rather than "public limited company"; and
- ii) taxability of "dividend income" as separate block of income.

Return for the Tax Year 2003 was filed and was selected for total audit. The Income Tax Department after the finalization of total audit for the tax year 2003, issued assessment order dated 29 June 2007. The Company, being aggrieved filed an appeal before CIT (Appeals) against the said assessment order on various disallowances amounting to Rs. 27 million. The appeal was decided in favour of the Company by CIT Appeals vide order dated 12 February, 2008.

Returns for the Tax Year 2004, 2005 and 2006 were filed and are selected for total audit. Return for tax year 2007 was filed declaring a taxable profit of Rs. 12,659,341. So far, this has not been selected for total audit nor any proceedings for amendment of assessment has been initiated by the Income tax department.

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

Guarantees

Outstanding guarantees as on balance sheet date were Rs. 87.940 million (2007: Rs. 111.940 million).

31.2 Commitments

	2008 Rupees	2007 Rupees
Future sale contract - Shares	1,504,130,820	1,347,984,510
Future purchase contract - Shares	75,430,895	108,829,800
Capital expenditure	1,300,000	1,300,000

32 PROFIT ON FINANCING

	2008 Rupees	2007 Rupees
Long term	15,141,123	12,042,136
Short term	34,133,399	43,017,960
	49,274,522	55,060,096

33 RETURN ON PLACEMENTS

	2008 Rupees	2007 Rupees
Clean placements	3,806,330	3,096,536
Placements under reverse repurchase agreements	239,239,801	379,655,128
	243,046,131	382,751,664

34 RETURN ON INVESTMENTS

	2008 Rupees	2007 Rupees
Mark-up / return on investments		
Held to maturity investments:		
Government securities	56,028,767	56,000,000
Term finance certificates	2,349,910	3,644,668
Available for sale investments:		
Term finance certificates	1,775,248	5,642,647

	2008 Rupees	2007 Rupees
Dividend income		
Available for sale investments:		
Listed shares/units	6,784,404	6,020,559
Held for trading:		
Listed shares	133,049,394	115,823,381
Capital gain / (loss) on investments		
Available for sale investments	(44,375)	1,613,525
Held for trading	193,335,051	120,993,954
Gain on sale of Card and Rooms		
	393,278,399	309,738,734

35 FEES AND COMMISSION

	2008 Rupees	2007 Rupees
Consultancy and corporate advisory	6,429,500	1,948,684
Brokerage commission	95,231,989	82,277,762
Guarantee commission	1,077,400	1,557,400
	102,738,889	85,783,846

36 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Note	2008 Rupees	2007 Rupees
Salaries, wages, other benefits and allowances	36.1	81,378,678	72,948,606
Staff training and welfare		400,272	472,822
Advertisement and business promotion		1,807,700	3,213,518
Rent, rates and taxes		17,959,493	14,498,302
Utilities		3,832,146	3,572,343
Communication charges		8,563,784	8,636,760
Travelling and vehicle maintenance		8,029,649	8,501,499
Repair and maintenance		4,292,811	3,740,096
Entertainment		4,081,196	3,642,721
Fee and subscriptions		2,575,482	2,828,368
Legal and professional charges	36.2	6,236,778	6,595,562
Printing and stationery		4,214,914	3,778,496
Fee, brokerage and commission		15,712,822	12,110,863
CDC and clearing charges		53,008,568	47,365,862
Insurance		3,513,376	3,029,211
Amortization of issuance cost of listed TFCs	22.2	1,573,296	524,430
Depreciation	5.1	18,641,830	18,353,613
Amortization of intangible assets	5.2	999,900	999,900
Loss on sale of fixed assets	5.3	3,749	835,200
Donation		-	100,000
Penalty		185,000	-
Staff motor vehicle contribution and insurance		1,145,560	397,665
Miscellaneous expenses		162,391	203,254
		238,319,395	216,349,091

36.1 This includes contribution to provident fund amounting to Rs. 3.52 million (2007: Rs. 3.08 million) made by the Group.

36.2 These include remuneration paid to the auditors as detailed below:

	2008 Rupees	2007 Rupees
Audit fee	380,000	200,000
Review of half yearly accounts	130,000	100,000
Certification and consultancy charges	333,500	80,000
Tax services	670,000	545,000
Out of pocket expenses	51,000	45,000
	1,564,500	970,000

37 TAXATION

	Note	2008 Rupees	2007 Rupees
Current taxation	37.1	10,380,972	17,598,801
Deferred taxation	12.1	(53,686,698)	(6,561,154)
		(43,305,726)	11,037,647

37.1 Current taxation

	2008 Rupees	2007 Rupees
Current year	10,380,972	15,857,114
Prior years	-	1,741,687
	10,380,972	17,598,801

In view of tax losses, tax charge for the year is based on with-holding tax deducted, which shall be deemed to be the final discharge of tax liability under the presumptive tax regime. Hence, the reconciliation between tax charge and accounting profit has not been given.

38 EARNINGS PER SHARE BASIC AND DILUTED

	2008	2007
Profit for the year after taxation (Rupees)	103,536,899	130,163,708
Number of ordinary shares	44,100,000	44,100,000
Earnings per share (Rupees)	2.35	2.95

38.1 No figure for diluted earnings per share has been computed as the Group has not issued any instrument which would dilute its earnings per share.

39 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of employment are as follows:

	2008 Rupees	2007 Rupees
Associated companies:		
Transactions during the year		
Return on finances received	551,484	1,311,609
Guarantee commission earned	789,400	789,400
Profit paid on certificates of deposit	1,001,330	2,810,268
Chairman's secretariat expenses	3,600,000	3,600,000
Balance at year end		
Advances outstanding	3,589,346	3,560,139
Letter of guarantee outstanding	78,940,000	78,940,000
Certificates of deposit outstanding	6,095,003	10,195,003
Other receivable	801,010	83,825
Directors:		
Transactions during the year		
Return on finances received	475,736	281,533
Profit paid on certificates of deposit	28,360,172	20,238,935
Fixed assets sold	-	457,024
Balance at year end		
Certificates of deposit outstanding	205,650,000	200,550,000
Rent and other receivables	162,980	159,320
Executives:		
Transactions during the year		
Return on finances received	661,707	1,515,092
Profit paid on certificates of deposit	-	1,218,833
Fixed assets sold	-	513,628
Balance at year end		
Advances outstanding	11,038,194	23,816,100
Certificates of deposit outstanding	4,840,000	6,452,251
Others:		
Transactions during the year		
Contribution to staff retirement benefits plan	3,526,927	3,080,369

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	Chief Executive		Directors		Executives	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Managerial remuneration	9,822,474	6,784,290	1,951,128	1,468,938	11,371,150	10,333,317
House rent allowance	-	943,902	2,686,200	2,267,574	4,548,480	4,133,331
Utilities	360,000	235,974	555,114	146,892	1,137,131	1,033,325
Bonus/commission	1,952,456	2,846,339	650,819	948,780	2,572,906	4,236,421
Leave encashment	-	-	-	-	222,221	738,471
Retirement benefits	982,248	678,427	-	-	981,652	1,004,333
	13,117,178	11,488,932	5,843,261	4,832,184	20,833,540	21,479,198
Number of persons	1	1	1	1	11	10

- i) In addition to above the Chief Executive, Executive Director and Executives were provided with use of Group maintained cars and reimbursement of medical expenses.
- ii) Fee of Rs. Nil (2007 : 8,000) was paid to one Director for attending the board and audit committee meetings.

41 LIQUIDITY RISKS

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored on regular basis at Assets and Liabilities Committee to ensure that adequate liquidity is maintained. The table below summarises the maturity profile of the Group's assets and liabilities:

Description	As at 30 June 2008			
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
ASSETS				
Fixed assets	135,382,584	-	45,045,637	90,336,947
Cards and rooms	84,105,000	-	-	84,105,000
Deferred tax asset	75,962,978	-	75,962,978	-
Net investment in lease finance	72,271,597	16,340,191	55,931,406	-
Investments	2,138,192,059	1,581,817,708	455,229,742	101,144,609
Finances	281,673,392	260,236,944	11,362,726	10,073,722
Loan, advances, deposits, prepayments and other receivables	875,342,030	858,970,268	11,599,406	4,772,356
Placements	2,493,281,543	2,493,281,543	-	-
Cash and bank balances	306,541,667	306,541,667	-	-
	6,462,752,850	5,517,188,321	655,131,895	290,432,634

As at 30 June 2008				
Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
LIABILITIES				
Term finance certificates	631,421,299	91,793,316	539,627,983	-
Liabilities against assets subject to finance lease	6,787,968	847,633	5,940,335	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-
Running finance under mark up arrangements	1,088,962,624	1,088,962,624	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-
Long term security deposit	25,789,464	-	25,789,464	-
Trade and other payables	194,978,823	194,978,823	-	-
Provision for taxation	28,715,532	28,715,532	-	-
	5,648,716,525	4,737,180,584	911,535,941	-
NET ASSETS - 2008	814,036,325	780,007,737	(256,404,046)	290,432,634
Represented by:				
Share capital and reserves	817,569,625			
Deficit on revaluation of investments	(3,533,300)			
	814,036,325			

As at 30 June 2007				
Description	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees
ASSETS				
Fixed assets	143,159,956	-	33,995,053	109,164,903
Cards and rooms	78,105,000	-	-	78,105,000
Deferred tax asset	22,276,280	-	22,276,280	-
Net investment in lease finance	64,949,664	11,188,368	53,761,296	-
Investments	1,881,272,770	1,312,110,378	410,586,496	158,575,896
Finances	351,637,024	312,185,232	28,833,623	10,618,169
Loan, advances, deposits, prepayments and other receivables	469,935,160	454,352,936	12,462,124	3,120,100
Placements	2,789,895,924	2,789,895,924	-	-
Cash and bank balances	133,428,181	133,428,181	-	-
	5,934,659,959	5,013,161,019	561,914,872	359,584,068
LIABILITIES				
Term finance certificates	721,641,317	91,793,316	629,848,001	-
Liabilities against assets subject to finance lease	7,533,253	744,719	6,788,534	-
Short term borrowings	1,745,000,000	1,745,000,000	-	-
Running finance under mark up arrangements	295,856,901	295,856,901	-	-
Certificates of deposit	2,081,408,292	1,768,514,003	312,894,289	-
Long term security deposit	18,473,051	-	18,473,051	-
Trade and other payables	235,613,582	235,613,582	-	-
Provision for taxation	31,040,878	31,040,878	-	-
	5,136,567,274	4,168,563,399	968,003,875	-
NET ASSETS - 2007	798,092,685	844,597,620	(406,089,003)	359,584,068
Represented by:				
Share capital and reserves	802,232,726			
Deficit on revaluation of investments	(4,140,041)			
	798,092,685			

42 CREDIT RISK AND CONCENTRATION OF CREDIT RISKS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management attempts to control credit risk through monitoring credit exposures, limiting transactions with specific counterparties, and continuous assessing of the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

42.1 Segment information

Class of business	Morabaha Finances		Certificates of deposit		Letters of guarantee	
	2008 Percentage	2007 Percentage	2008 Percentage	2007 Percentage	2008 Percentage	2007 Percentage
Chemical and pharmaceuticals	12.31	15.49	-	-	-	-
Agribusiness	7.77	-	-	-	-	-
Textile	8.14	8.23	-	-	-	-
Sugar	13.28	13.43	-	-	-	-
Financial Institutions	-	-	52.83	53.22	-	-
Insurance	-	-	0.98	0.14	-	-
Electronics and electrical appliances	3.84	0.65	-	-	89.77	70.52
Production and transmission of energy	-	14.42	-	-	-	-
Individuals	33.95	38.99	38.54	32.81	10.23	29.48
Engineering and construction	15.31	-	-	-	-	-
Sports	-	-	0.75	0.90	-	-
Communications	1.82	-	-	-	-	-
Non-Government organizations	-	-	1.80	1.26	-	-
Others	3.58	8.79	5.10	11.67	-	-
	100.00	100.00	100.00	100.00	100.00	100.00

42.2 Geographical Segment

These financial statements represent operations of the Group in Pakistan only.

43 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities that mature or reprise in a given period.

The Group's exposure to interest rate risk on its financial assets and financial liabilities are summarized as follows:

As at 30 June 2008					
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
FINANCIAL ASSETS					
Investments	2,138,192,060	20,647,753	455,229,742	101,144,609	1,561,169,956
Net investment in lease finance	46,482,133	16,340,191	30,141,942	-	-
Finances	281,673,392	260,236,944	11,362,726	10,073,722	-
Loan, advances, deposits, prepayments and other receivables	531,068,548	21,928,841	-	-	-
Placements	2,493,281,543	2,493,281,543	-	-	509,139,707
Cash and bank balances	306,541,667	176,998,344	-	-	-
	5,797,239,343	2,989,433,616	496,734,410	111,218,331	129,543,323
FINANCIAL LIABILITIES					
Term finance certificates	631,421,299	91,793,316	539,627,983	-	-
Liabilities against assets subject to finance lease	2,168,668	847,633	1,321,035	-	-
Short term borrowings	2,345,000,000	2,345,000,000	-	-	-
Running finance under mark-up arrangements	1,088,962,624	1,088,962,624	-	-	-
Certificates of deposit	1,327,060,815	986,882,656	340,178,159	-	-
Trade and other payables	193,882,493	91,236,038	-	-	-
	5,588,495,899	4,604,722,267	881,127,177	-	102,646,455
Total Interest rate sensitivity gap		(1,615,288,651)	(384,392,767)	111,218,331	102,646,455
Cumulative interest rate sensitivity gap		(1,615,288,651)	(1,999,681,418)	(1,888,463,087)	

As at 30 June 2007					
	Total Rupees	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees
FINANCIAL ASSETS					
Investments	1,881,272,770	33,348,404	410,586,496	158,575,896	1,278,761,974
Net investment in lease finance	46,476,613	11,188,368	35,288,245	-	-
Finances	351,637,024	312,185,232	28,833,623	10,618,169	-
Loan, advances, deposits, prepayments and other receivables	210,418,305	16,949,652	-	-	193,468,653
Placements	2,789,895,924	2,789,895,924	-	-	-
Cash and bank balances	133,428,181	127,756,428	-	-	5,671,753
	5,413,128,817	3,291,324,008	474,708,364	169,194,065	1,477,902,380
FINANCIAL LIABILITIES					
Term finance certificates	721,641,317	91,793,316	629,848,001	-	-
Liabilities against assets subject to finance lease	2,913,953	744,719	2,169,234	-	-
Short term borrowings	1,745,000,000	1,745,000,000	-	-	-
Running finance under mark-up arrangements	295,856,901	295,856,901	-	-	-
Certificates of deposit	2,081,408,292	1,768,514,003	312,894,289	-	-
Trade and other payables	233,801,011	81,521,154	-	-	152,279,857
	5,080,621,474	3,983,430,093	944,911,524	-	152,279,857
Total Interest rate sensitivity gap		(692,106,085)	(470,203,160)	169,194,065	
Cumulative interest rate sensitivity gap		(692,106,085)	(1,162,309,245)	(993,115,180)	

Mark-up rates are mentioned in the respective notes to the accounts.

43.1 Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

The Group is exposed to externally imposed capital requirements.

Vide its Notifications dated November 21, 2007, the Securities and Exchange Commission of Pakistan has announced certain revisions in the NBFC Rules 2003 and has also promulgated the NBFC Regulations 2007. The existing NBFCs have been allowed different time limits for aligning themselves with different Capital requirements. The management of the Group is of the view that it will be able to meet its capital requirement by the end of 30 June, 2010 through its internally generated sources.

Additionally, the Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio calculated as total debt to equity.

The debt-to-equity ratios at 30 June 2008 and at 30 June 2007 were as follows:

	2008 Rupees	2007 Rupees
Total debt	911,535,941	968,003,875
Total equity	814,036,325	798,092,685
Debt-to-equity ratio	1.12	1.21

The decreases in the debt-to-equity ratio during 2008 resulted primarily from repayment of Term Finance Certificates during the year amounting to Rs. 90.22 million.

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying value of financial assets and financial liabilities approximate their fair values as reflected in the financial statements.

45 FINANCIAL RELIEF AND PROVISION AGAINST NON PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for Statements required to be filed under Section 33A of the Banking Companies Ordinance, 1962 is "Nil".

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 20th August 2008 by the Board of Directors of the Group.

47 DIVIDEND

The Board of Directors at their meeting held on 20th August 2008 have proposed a cash dividend @ 20% i.e. Rs.2 per ordinary share, for the year ended 30 June 2008 for approval of the members at the Annual General Meeting to be held on 15th October 2008. The financial statements do not reflect this proposed dividend.

48 GENERAL

i) Figures have been rounded off to the nearest rupee.

ii) Previous year's figure for following has been rearranged, for the purpose of comparison:

Long term loans, deposits and prepayments were previously clubbed together, these have now been rearranged and shown as Rs. 2,636,526 for Long term loans and advances and Rs. 12,945,698 for Long term deposits and prepayments.



DIRECTOR



CHIEF EXECUTIVE OFFICER

Pattern of Share Holding

As on 30 June 2008

Number of Shareholders	Shareholdings		Total Shares Held	Percentage of Total Capital
	From	To		
51	1	100	2,290	0.01
83	101	500	31,786	0.07
77	501	1000	69,640	0.16
140	1001	5000	395,377	0.90
36	5001	10000	285,630	0.65
16	10001	15000	202,914	0.46
10	15001	20000	182,171	0.41
6	20001	25000	145,000	0.33
2	25001	30000	55,575	0.13
1	30001	35000	35,000	0.08
3	35001	40000	114,975	0.26
2	45001	50000	100,000	0.23
3	55001	60000	180,000	0.41
3	65001	70000	205,325	0.47
1	75001	80000	77,490	0.18
1	85001	90000	88,350	0.20
4	95001	100000	398,661	0.90
1	100001	105000	100,825	0.23
1	105001	110000	109,515	0.25
2	145001	150000	300,000	0.68
2	155001	160000	314,000	0.71
1	160001	165000	160,500	0.36
2	195001	200000	398,000	0.90
1	245001	250000	248,750	0.56
1	275001	280000	277,850	0.63
1	375001	380000	376,500	0.85
1	465001	470000	467,775	1.06
1	540001	545000	541,500	1.23
1	590001	595000	594,000	1.35
1	595001	600000	600,000	1.36
1	660001	665000	663,500	1.50
1	800001	805000	805,000	1.83
1	1180001	1185000	1,184,092	2.69
1	2515001	2520000	2,518,110	5.71
1	3270001	3275000	3,274,000	7.42
1	3295001	3300000	3,299,145	7.48
1	3380001	3385000	3,383,467	7.67
1	4705001	4710000	4,709,947	10.68
1	17200001	17205000	17,203,340	39.01
464			44,100,000	100.00

There are no shareholdings in the slabs not included above.

Categories of Shareholdings	Number of Shareholdings	Share held	Percentage
Individuals	433	20,332,385	46.11
Joint Stock Companies	21	17,962,007	40.73
Financial Institutions	6	4,517,272	10.24
Insurance Companies	3	694,336	1.57
Modarbas and Mutual Funds	1	594,000	1.35
	464	44,100,000	100.00

Pattern of Share Holding (contd.)

AS ON 30 JUNE 2008

INFORMATION AS REQUIRED BY CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
Mr Bairam Qureshi	1	1,102	0.0025
Mr Qaim Mehdi	1	1,102	0.0025
Mrs. Bashir Ahmed	1	4,709,947	10.6802
Mr Mutahir Ahmed	1	160,500	0.3639
Ms. Shazia Bashir	1	3,383,467	7.6723
Syed Zaigham Mehmood Rizvi	1	500	0.0011
Mr. Rashid Mansur	1	18,500	0.0420
Mrs. Darakshan Bashir	1	2,518,110	5.7100
Associated Companies, Undertakings and Related Parties			
M/S Essem Power (Pvt) Limited	1	17,203,340	39.0098
Executives	3	3,299,231	7.4812
Banks, Development Financial Institutions, Non Banking Financial Institutions	6	4,517,272	10.2432
Insurance Companies	3	694,336	1.5745
Modarbas and Mutual Funds	1	594,000	1.3469
General Public (Local)	422	6,239,926	14.1495
Others	20	758,667	1.7203
Total	464	44,100,000	100

SHARE HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST

Categories of Shareholders	Number of Shareholders	Share held	Percentage
M/S ESSEM POWER (PVT) LIMITED	1	17,203,340	39.0098
MRS. BASHIR AHMED	1	4,709,947	10.6802

